



Magnolia Public Schools

Board Meeting

Date and Time

Monday October 10, 2016 at 6:00 PM

Location

Teleconference Dial: 1.844.572.5683 Code:1948435

AGENDA

Special Meeting of the MPS Board of Directors

Access to the Board Meeting: Any interested parties or community members from remote locations may attend the meeting at the following school sites or the addresses where the Board members are joining the meeting from:

Remotely by dialing in to the numbers below:

Open Session- Dial: 1.844.572.5683 Code: 1948435

- 5113 Babette Ave Los Angeles, CA 90066 (Ms. Diane Gonzalez)
- MSA- SD 6365 Lake Atlin Ave San Diego, CA 92119 (Dr. Salih Dikbas)
- 1020 South Olive Street, 7th Floor Los Angeles, CA 90015 (Mrs. Noel Unterburger)
- 449 36th Street #2 Brooklyn, NY 11232 (Mr. Nguyen Huynh)
- 1363 Ridgecrest Rd Pinole CA 94564 (Serdar Orazov)
- 495 El Camino Real Santa Clara CA 95050 (Dr. Umit Yapanel)
- 6181 Albion Dr. Huntington Beach, CA 92647 (Dr. Ali Korkmaz)
- UCLA Boyer 659, 611 Charles Young Dr. E. Los Angeles CA 90095 (Dr. Saken Sherkanov)

In compliance with the Americans with Disabilities Act (ADA) and upon request, Magnolia Public Schools may furnish reasonable auxiliary aids and services to qualified individuals with disabilities. Individuals who require appropriate alternative modification of the agenda in order to participate in Board meetings are invited to contact the MPS central office. If you need special assistance to attend the meeting, please notify Barbara Torres at (213) 628.3634 x100 to make arrangements and accommodate your disability.

Any public records relating to an agenda item for an open session of the Board which are distributed to all, or a majority of all, of the Board members shall be available for public inspection at 250 East 1st Street Los Angeles, CA 90012.

MPS Board Members:

Ms. Noel Russell- Unterburger, President
Dr. Umit Yapanel, Secretary
Mr. Serdar Orazov, Treasurer
Ms. Diane Gonzalez
Dr. Saken Sherkhanov
Dr. Salih Dikbas
Dr. Ali Korkmaz
Dr. Remzi Oten
Mr. Nguyen Huynh

CEO & Superintendent:
Dr. Caprice Young

Agenda

	Purpose	Presenter	Duration
I. Opening Items			
A. Record Attendance and Guests			1
B. Call the Meeting to Order			1
C. Approval of the Agenda	Vote		1
D. Public Comment			5
E. Oral Communications			5
II. Action Item			
A. Approval of 2016-17 Intra Company Loans	Vote	Finance Committee	20
III. Closed Session			
A. Public Performance Evaluation: Chief Executive Officer and Superintendent	Discuss	Umit Yapanel	30
IV. Closing Items			
A. Adjourn Meeting	Vote		

Coversheet

Approval of 2016-17 Intra Company Loans

Section: II. Action Item
Item: A. Approval of 2016-17 Intra Company Loans
Purpose: Vote
Submitted by:
Related Material: II A 2016-17 Intracompany Loans.pdf



Board Agenda Item #	Agenda II A
Date:	October 10, 2016
To:	MPS Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Oswaldo Diaz, Chief Financial Officer
RE:	Approval of 2016-17 Intra Company Loans

Proposed Board Recommendation

I move that MPS Board of Directors approves the cash management intra-company loans for operational expenses as presented in the agenda item.

Background

Currently MSA-SA requires temporary loans to address the cash flow requirement for fiscal year 2016-17. Based on the cash flow projections, MSA-SA is expected to require a new intra-company loan totaling \$1,150,000. The loan is required due to the fact that the funding that MSA-SA receives during the first half of the year is based on prior year enrollment (2015-16 P2 enrollment). The proposed cash flow loan will be paid off next year as the school builds reserves; however, because the school will again be adding students repeated cash flow loans will be required until the school has reached full capacity. This is a normal part of the opening of new schools that will be included in our ongoing budget and cash flow projections.

As of September 30, 2016, MSA-SA has two (2) board approved loans totaling \$1.3 million and has utilized \$1,252,500 for operational expenses incurred by the school. Based on the projected operational expenses, MSA Santa Ana will require that the operational loan in increased by an additional \$1.202 million.

10.02.2015 loan approval	700,000.00	
09.30.2016 additional loan approval	600,000.00	
Loan Disbursements and Payments FY 2015-16	(582,500.00)	
Loan Disbursements and Payments FY 2016-17	(670,000.00)	
Remaining Loan amount	47,500.00	
Expected cash flow needs MSA-SA	1,250,000.00	(x)
Additional loan required MSA-SA	1,202,500.00	

Notes: (x) MSA-SA cash flow requirements includes an additional \$100,000 for contingency purposes

The current outstanding loans to Santa Ana, which were incurred in prior years due to planned deficit budgeting until the new site could be occupied, will be paid off during fiscal years 2016-17 and 2017-18. The current MSA-SA balance as September 30, 2016 is shown as follows:

**Magnolia Science Academy - Santa Ana
Operational Expenses Intra-Company Loans**

Fiscal Year	Date	Description	Amount	Balance
2015-16	3/26/2015	Loan Disbursement	100,000.00	100,000.00
2015-16	4/30/2015	Loan Disbursement	100,000.00	200,000.00
2015-16	5/27/2015	Loan Disbursement	50,000.00	250,000.00
2015-16	6/26/2015	Loan Disbursement	80,000.00	330,000.00
2015-16	9/29/2015	Loan Repayment	(37,500.00)	292,500.00
2015-16	9/29/2015	Loan Disbursement	100,000.00	392,500.00
2015-16	6/13/2016	Loan Disbursement	90,000.00	482,500.00
2015-16	6/28/2016	Loan Disbursement	100,000.00	582,500.00
2016-17	8/12/2016	Loan Disbursement	200,000.00	782,500.00
2016-17	8/30/2016	Loan Disbursement	150,000.00	932,500.00
2016-17	9/14/2016	Loan Disbursement	120,000.00	1,052,500.00
2016-17	9/29/2016	Loan Disbursement	200,000.00	1,252,500.00
Loan Balance as of September 30, 2016				1,252,500.00

Cash Management Intra-Company Loan for Operational Expenses

Currently, and projected over the course of 2016-17, several schools have excess cash funds that can be utilized as loans to support the operational expenses of MSA-SA on a short term basis while delivering high quality education consistent with their charters. Staff calculated the availability of cash flow loan funds by projecting the 2016-17 cash flow needs of all schools and identifying which schools had excess reserve funds available. Based on the resulting projected cash flow for the fiscal year ended June 30,

2017, MSA-5, MSA-6, MSA-7, and MSA-8 have additional reserves that can be used to meet financial cash flow needs of MSA-SA.

Financial Impact to the Academies

The schools that will provide the proposed intra-company loans currently have excess funds to meet all recurring obligations and will retain minimum reserve requirements in accordance with their charter petitions. Taking into consideration the specific cash requirements for each of the academies, and in order to allow the academies to deliver high-quality education consistent with their charter, the intra-company loans have taken into consideration current needs and obligations for each of the academies. These loans will be used to fund legitimate educational and operational expenses in accordance with Generally Accepted Accounting Principles.

A potential risk associated with this loan is that MSA-SA will be unable to pay due to mitigating circumstances related to one-time unexpected expenses; however, this risk has been significantly reduced by the strong enrollment outcome this year.

Total unrestricted reserves by school after considering required reserves to address each school's annual cash flow needs, reductions to address MSA Santa Clara loan, and the one time accounting change for certificated employees' STRS calculation are below. Also included in the chart below are the amounts of loans to MSA-SA by school and the available non-restricted reserves by school following the loan disbursements.

**Unrestricted Reserves
Available During 2016-17**

School	Current Unrestricted Reserves	Loan Disbursement	Revised Unrestricted Reserves
MSA-1	None available due to bond reserve requirements		None available due to bond reserve requirements
MSA-2	114,427		114,427
MSA-3	113,065		113,065
MSA-4	453,627		453,627
MSA-5	321,787	(200,000)	121,787
MSA-6	411,094	(150,000)	261,094
MSA-7	449,796	(100,000)	349,796
MSA-8	815,394	(700,000)	115,394
MSA-SA	(536,414)	1,150,000	613,586
MSA-SD	597,463		597,463
Home Office	28,430		28,430
Total	2,768,668	-	2,768,668

The remaining funds (Revised Estimated Unrestricted Reserves) are available for future contingencies, capital project cash flow financing, and ongoing reserves.

Repayment Plan:

The following cash disbursement schedule and loan repayment table has been prepared based on the current cash requirements and available funds of MSA-SA.

**MSA-SA Projected Disbursements and Payments
(For all MSA-SA Loans)**

	Date	Description	Amount	Balance
Actual		Loan Balance as of September 30, 2016		1,252,500.00
Projected	10/15/2016	Loan Disbursement	300,000.00	1,552,500.00
Projected	11/15/2016	Loan Disbursement	350,000.00	1,902,500.00
Projected	12/15/2016	Loan Disbursement	350,000.00	2,252,500.00
Projected	1/15/2017	Loan Disbursement	150,000.00	2,402,500.00
Projected	2/15/2017	Loan Repayment	(100,000.00)	2,302,500.00
Projected	3/15/2017	Loan Repayment	(100,000.00)	2,202,500.00
Projected	4/15/2017	Loan Repayment	(100,000.00)	2,102,500.00
Projected	5/15/2017	Loan Repayment	(200,000.00)	1,902,500.00
Projected	6/15/2017	Loan Repayment	(282,500.00)	1,620,000.00
Projected	7/15/2017	Loan Repayment	(150,000.00)	1,470,000.00
Projected	8/15/2017	Loan Repayment	(150,000.00)	1,320,000.00
Projected	9/15/2017	Loan Repayment	(150,000.00)	1,170,000.00
Projected	10/15/2017	Loan Repayment	(100,000.00)	1,070,000.00
Projected	11/15/2017	Loan Repayment	(100,000.00)	970,000.00
Projected	12/15/2017	Loan Repayment	(100,000.00)	870,000.00
Projected	1/15/2018	Loan Repayment	(100,000.00)	770,000.00
Projected	2/15/2018	Loan Repayment	(100,000.00)	670,000.00
Projected	3/15/2018	Loan Repayment	(150,000.00)	520,000.00
Projected	4/15/2018	Loan Repayment	(150,000.00)	370,000.00
Projected	5/15/2018	Loan Repayment	(200,000.00)	170,000.00
Projected	6/15/2018	Loan Repayment	(170,000.00)	-
		Loan Balance as of June 30, 2018		-

Budget Implications:

By self-financing the cash flow for MSA Santa Ana, the organization avoids expensive cash flow loans.

Name of Staff Originator:

Oswaldo Diaz

Chief Financial Officer

Attachments: Loan Documents

**MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION
INTRA-COMPANY LOAN TO MSA-SA**

Summary

Based on the current estimated operating expenses for FY 2016-17, MSA-SA requires an additional loan totaling \$1,250,000. This loan will be used to fund legitimate educational and operational expenses in accordance with Generally Accepted Accounting Principles.

Intracompany Loan Terms

Total Additional Loan Amount: \$1,250,000

Repayment Period: 20 months

Interest Rate: 0.00%

Intracompany Repayment Schedule

Date	Description	Amount
9/15/2017	Loan Repayment	80,000.00
10/15/2017	Loan Repayment	100,000.00
11/15/2017	Loan Repayment	100,000.00
12/15/2017	Loan Repayment	100,000.00
1/15/2018	Loan Repayment	100,000.00
2/15/2018	Loan Repayment	100,000.00
3/15/2018	Loan Repayment	150,000.00
4/15/2018	Loan Repayment	150,000.00
5/15/2018	Loan Repayment	200,000.00
6/15/2018	Loan Repayment	170,000.00
Total Payments		1,250,000.00

**MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION
INTRA-COMPANY LOAN FROM MSA-5**

Summary

MSA-5 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to provide operational loans to the academies and to meet financial obligations in accordance with board approved contracts. The temporary intra-company loan will be used for:

- 1) Provide cash flow to the academies that require temporary funds.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

Intra-Company Loan Terms

Total loan amount: \$200,000

Date of Disbursements: As needed not to exceed \$200,000

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%

**MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION
INTRA-COMPANY LOAN FROM MSA-6**

Summary

MSA-6 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to provide operational loans to the academies and to meet financial obligations in accordance with board approved contracts. The temporary intra-company loan will be used for:

- 1) Provide cash flow to the academies that require temporary funds.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

Intra-Company Loan Terms

Total loan amount: \$150,000

Date of Disbursements: As needed not to exceed \$150,000

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%

**MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION
INTRA-COMPANY LOAN FROM MSA-7**

Summary

MSA-7 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to provide operational loans to the academies and to meet financial obligations in accordance with board approved contracts. The temporary intra-company loan will be used for:

- 1) Provide cash flow to the academies that require temporary funds.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

Intra-Company Loan Terms

Total loan amount: \$100,000

Date of Disbursements: As needed not to exceed \$100,000

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%

**MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION
INTRA-COMPANY LOAN FROM MSA-8**

Summary

MSA-8 has excess cash funds that can be utilized by Magnolia Educational and Research Foundation to provide operational loans to the academies and to meet financial obligations in accordance with board approved contracts. The temporary intra-company loan will be used for:

- 1) Provide cash flow to the academies that require temporary funds.
- 2) Provide additional cash flow to expedite payments relating to Board approved contract obligations.

This loan will be used to fund legitimate educational and operational expenses with the charter school in accordance with Generally Accepted Accounting Principles.

Intra-Company Loan Terms

Total loan amount: \$700,000

Date of Disbursements: As needed not to exceed \$700,000

Repayment Period: Not to exceed one (1) year from the time of initial disbursement.

Interest Rate: 0.00%