



Board Agenda Item #	IV.A – Action Item
Date:	February 13, 2020
To:	Magnolia Public Schools Board of Directors
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Alfredo Rubalcava, CEO & Superintendent
RE:	Resolution of Material Revision to Merge MSA-4 into MSA-6 (REVISED)

Proposed Board Motion

I move that the MPS board approve the revised resolution that authorizes the following: (1) Material revision for MSA-6’s Charter Petition and (2) Closure of MSA-4 effective June 30, 2020, and authorize the MPS CEO and Superintendent to take the necessary actions needed to complete the revision process.

Introduction

The resolution and budget brought forth has revisions made to the total enrollment rollout plan. The original resolution approved at the December Board Meeting had an enrollment number of 400 students. After feedback from the Charter School Division at LAUSD, it was advised to change the total enrollment number to 300 versus the original request of 400. Therefore, the team decided to revise the total enrollment number to 300 based on LAUSD’s suggestion and is bringing the revised resolution to the full board for approval.

The Los Angeles Unified School District (LAUSD) allows charter operators to amend their charter petitions if the school wishes to make any substantial changes to their educational program, governance, organizational structure, amongst others changes. After a review of MPS’ current enrollment viability it became apparent that the MPS West Los Angeles site, MSA-4, was steadily declining in student enrollment. Many efforts have been made for that campus to increase enrollment but the results have been unsubstantial, causing budget constraints on the school and the organization. Therefore, MPS’ leadership team determined that the best solution would be to merge MSA-4 into MSA-6 and go through the Material Revision process with LAUSD.

Background

The Los Angeles Unified School District currently authorizes Magnolia Science Academy 4 and Magnolia Science Academy 6. The resolution being approved addresses the request for a material revision to Magnolia Science Academy 6’s charter petition to reflect a merger with Magnolia Science Academy 4, which will make MSA-6 a middle and high school. Over the years, MSA 4 has experienced a decline in enrollment, which has resulted in fewer classrooms for the 131 6-12th graders. Considering the proximity between MSA-4 and MSA-6 being 2.4 miles apart, MPS administrators project little to no travel burdens on the current families due to the merger.

Currently, MSA-6 has four more years in their current charter term before their next renewal during the 2023-24 school year. MSA-6 has consistently maintained a steady level of student

enrollment. The school currently occupies a church facility in the Palms neighborhood and in an effort to be proactive has submitted an application for additional facilities under Proposition 39 to ensure it has space to accommodate the high school grades at a separate facility.

With the approval of this merger, MSA-6 would inherit grades 9-12 and MSA-4 would close effective June 30, 2020.

Analysis (If applicable)

- NA

Budget Implications

- The anticipated budget implications for MSA-6 are reflected in the attached budget. At this moment for MSA-4 we can only project based off of available information and assumptions but the final impact will not be known until the actual merger is complete. MSA-4's net assets and liabilities will be absorbed by MSA-6 if the merger goes through.

Exhibits (attachments):

- Resolution: Approval of Material Revision to Merge MSA-4 into MSA-6
- MSA-6 Budget for 2020-21 through 2023-24

Resolution of the Board of Directors No. 20200213-01
of
Magnolia Educational & Research Foundation

Approval of Material Revision to Merge MSA-4 into MSA-6

WHEREAS the Board of Directors (the “Board”) of Magnolia Educational & Research Foundation, doing business as Magnolia Public Schools (“MPS”) currently operates four (4) charter schools authorized by the Los Angeles Unified School District (“LAUSD”), including Magnolia Science Academy-4 (“MSA-4”) (grades 6-12), and Magnolia Science Academy-6 (“MSA-6”) (grades 6-8); and

WHEREAS, MSA-4 and MSA-6 are geographically close to one another, operating approximately 2.4 miles apart; and

WHEREAS, many MSA-6 students seek to continue their education at MSA-4 for high school; and

WHEREAS the Board seeks to materially revise the MSA-6 charter to merge MSA-4 into MSA-6, thereby closing MSA-4 effective June 30, 2020, and increasing the grade span of MSA-6 from 6-8 to 6-12 and its enrollment capacity to 300, effective July 1, 2020; and

WHEREAS the Board finds that it is in the best interests of the students of MSA-4 and MSA-6, to operate one school, serving grades 6-12; and

WHEREAS the rationale for this request includes the following:

1. MSA-4 has experienced declining enrollment, resulting in its budget being unsustainable for the 2020-21 school year and beyond;
2. Due to its declining enrollment, MSA-4 has received fewer classrooms and ancillary space from LAUSD at its current location at the Daniel Webster Middle School under Proposition 39 making it impossible to continue to run a successful program at that location (to wit, 5 classrooms, one resource center, and one admin building serving grades 6-12 and a total of 131 students);
3. The Board seeks to continue offering a grades 6-12 span school for students on the Westside of Los Angeles;
4. MSA-6 has been a high-performing school since its first year of operation in 2009, and the Board’s priority is to maintain the quality and fiscal health of all of its schools;
5. The MSA-6 facility is presently located at a church facility in the Palms neighborhood but has submitted an application to LAUSD to secure additional facilities under Proposition 39 and expects to receive sufficient space to accommodate the students from the merged schools;
6. The reconstituted MSA-6 school will have sufficient enrollment and resources to allow it to secure a private facility in the next few years; and

WHEREAS MPS is fully prepared and able to accommodate a high quality 6-12 charter school at MSA-6. The four-year budget forecast, which includes the remaining years of the charter term (Attachment A of the material revision) clearly demonstrates MPS’s ability to operate a 6-12 educational program while maintaining a balanced budget.

NOW THEREFORE, BE IT RESOLVED that MPS staff is hereby authorized and directed to prepare a material revision of the MSA-6 charter for submission to LAUSD; and

BE IT RESOLVED FURTHER that MPS authorizes and directs its Superintendent and Chief

Executive Officer, Alfredo Rubalcava, to sign the request for a material revision, execute the amendment document, and otherwise act on behalf of MPS with respect to the material revision application process; and

BE IT RESOLVED FURTHER, that MPS authorizes and directs Chief Executive Officer Rubalcava and other MPS staff, as needed, to work with LAUSD on the details of the material revision submission, and authorizes and directs Chief Executive Officer Rubalcava and other MPS staff, as needed, to amend the material revision application based on the best interests of MPS; and

BE IT RESOLVED FURTHER, that the nature and scope of the major changes associated with the material revision of the MSA-6 charter are and such changes are authorized to be included in the material revision:

- Amending the enrollment capacity to 300
- Revising relevant educational program elements to reflect a 6-12 academic program
- Revising the budget forecast to reflect the 6-12 program
- Including current District Required Language
- Updating the charter for any new laws enacted since the MSA-6 charter was last approved, pursuant to Education Code Section 47607(a)(2); and

BE IT RESOLVED FURTHER, that all actions by Chief Executive Officer Rubalcava and other MPS staff taken on behalf of MPS to do all that is necessary to effect and complete the actions authorized in this resolution are hereby ratified and approved.

* * *

IN WITNESS WHEREOF, the Board of Directors has adopted the above resolution by the following vote at a regular Board meeting this 13th day of February 2020.

Board Member	Vote
Mr. Haim Beliak	
Dr. Umit Yapanel	
Mr. Serdar Orazov	
Dr. Salih Dikbas	
Ms. Sandra Covarrubias	
Ms. Diane Gonzalez	
Mr. Shohrat Geldiyev	

AYES:

NOS:

ABSTENTIONS:

ABSENT:

By: _____
Haim Beliak, Chair

MULTI-YEAR PROJECTION					
MSA 6	Current 2019-20	YEAR 1 2020-21	YEAR 2 2021-22	YEAR 3 2022-23	YEAR 4 2023-24

REVENUE SUMMARY					
LCFF Entitlement	1,369,452	3,142,755	3,316,754	3,376,121	3,471,778
Federal Revenue	96,395	209,549	222,650	228,928	235,384
Other State Revenues	195,031	309,103	326,053	333,521	341,029
Other Local Revenues	13,296	17,500	17,500	17,500	17,500
Total Revenue	1,674,174	3,678,908	3,882,957	3,956,071	4,065,691

EXPENDITURE SUMMARY					
Certificated Salaries	708,695	1,239,339	1,317,973	1,359,621	1,403,129
Classified Salaries	149,933	252,779	268,818	277,312	286,186
Benefits	322,381	584,750	625,473	647,537	670,334
Books and Supplies	129,561	220,274	234,250	241,652	249,385
Services and Operating Exp.	535,982	1,144,559	1,204,462	1,228,004	1,252,933
Depreciation & Cap Outlay	18,224	37,536	37,536	37,536	37,536
Other Outflows	-	-	-	-	-
Total Expenditures	1,864,776	3,479,238	3,688,513	3,791,663	3,899,504

Net Revenues	(190,602)	199,670	194,444	164,408	166,187
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Fund Balance					
Beginning Balance	1,814,289	1,623,687	1,823,357	2,017,801	2,182,209
Net Revenues	(190,602)	199,670	194,444	164,408	166,187
Ending Fund Balance	1,623,687	1,823,357	2,017,801	2,182,209	2,348,395

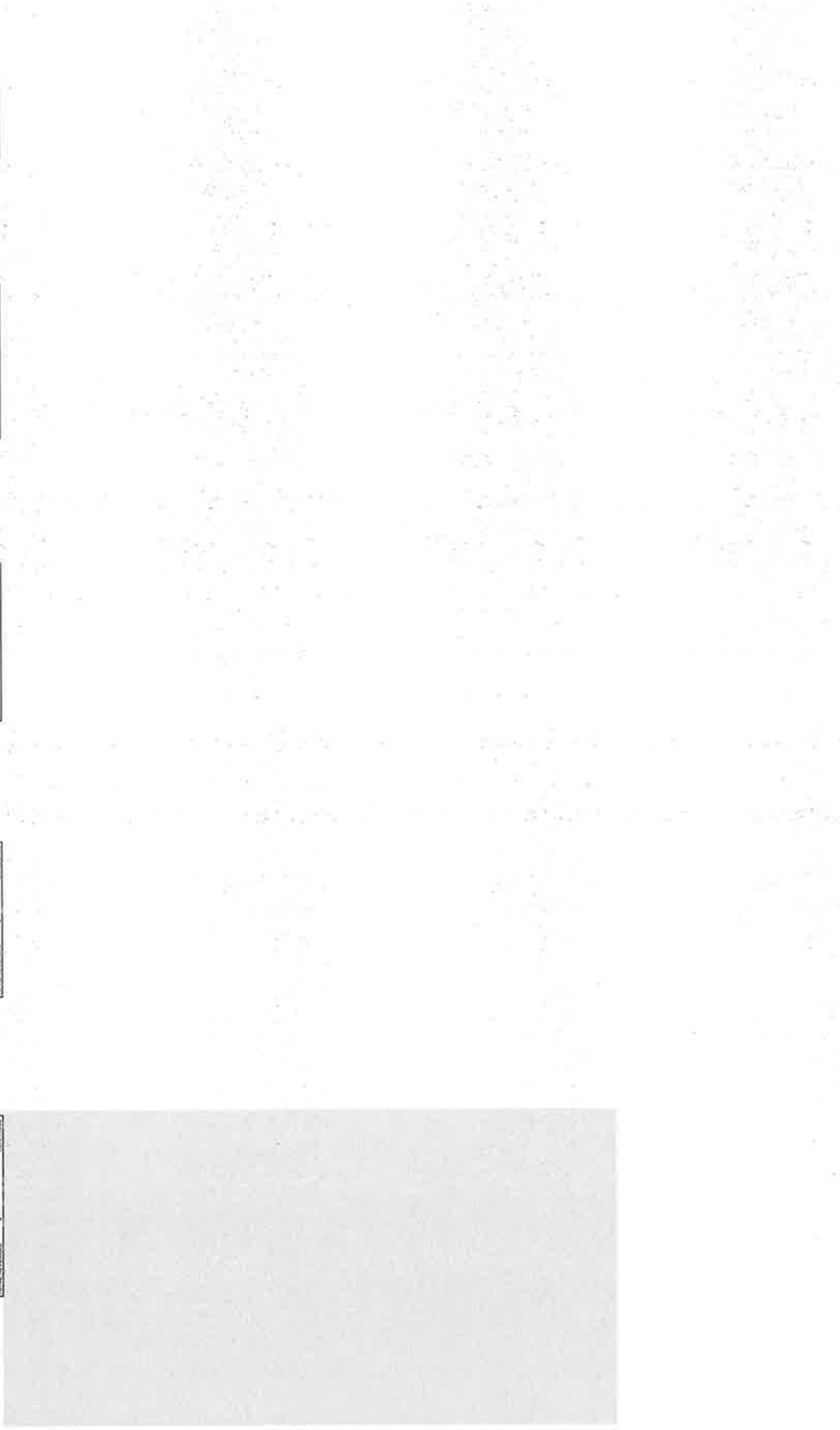
Ending Fund Balance as % of Exp	87.07%	52.41%	54.70%	57.55%	60.22%
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	2019-20	2020-21	2021-22	2022-23	2023-24
Enrollment					
6	34	60	60	60	60
7	55	63	63	63	63
8	47	62	62	62	62
9	-	33	36	36	36
10	-	21	31	31	31
11	-	27	24	24	24
12	-	24	24	24	24
Total Enrollment (before changes)	136	290	300	300	300
Average Daily Attendance					
K-3	-	-	-	-	-
4-6	32.00	57.60	57.60	57.60	57.60
7-8	99.00	120.00	120.00	120.00	120.00
9-12	-	100.80	110.40	110.40	110.40
Total ADA (before changes)	131.00	278.40	288.00	288.00	288.00
CBEDS Enrollment	136	290	300	300	300
CBEDS Unduplicated Count	118	223	231	231	231
LCFF Unduplicated Percentage (1-Year):	86.76%	76.90%	77.00%	77.00%	77.00%
LCFF Unduplicated Percentage (3-Year):	83.26%	80.76%	78.79%	76.97%	77.00%

MULTI-YEAR PROJECTION

MSA 6		Current	YEAR 1	YEAR 2	YEAR 3	YEAR 4
		2019-20	2020-21	2021-22	2022-23	2023-24
EXPENDITURES DETAIL						
Certificated Salaries						
1100	TeacherSalaries	516,447	932,916	992,108	1,023,459	1,056,210
1300	Cert Adminis	192,248	306,423	325,865	336,162	346,919
SUBTOTAL - Certificated Salaries		708,695	1,239,339	1,317,973	1,359,621	1,403,129
Classified Salaries						
2100	Instructional Aides	35,948	64,936	69,056	71,238	73,518
2200	Classified Support	29,000	52,386	55,710	57,470	59,309
2400	Clerical & Tech	84,985	135,457	144,052	148,604	153,359
SUBTOTAL - Classified Salaries		149,933	252,779	268,818	277,312	286,186
Employee Benefits						
3101	STRS	129,790	244,227	259,723	267,930	276,504
3202	PERS	32,214	61,821	69,365	73,856	78,295
3301	OASDI/Med	22,910	39,813	42,339	43,677	45,074
3401	HlthWelfare	125,000	217,224	231,007	238,307	245,932
3501	UnemployIns	457	794	845	871	899
3601	WorkersCmp	8,412	14,618	15,546	16,037	16,550
3901	OthBenes	3,598	6,253	6,649	6,859	7,079
SUBTOTAL - Employee Benefits		322,381	584,750	625,473	647,537	670,334
Books & Supplies						
4100	Text&CoreCurric	35,290	59,999	63,805	65,822	67,928
4200	BooksOthRefMats	1,200	2,040	2,170	2,238	2,310
4310	Ins Mats & Sups	39,843	67,740	72,038	74,314	76,692
4320	Office Supplies	12,000	20,402	21,696	22,382	23,098
4335	PE Supplies	2,000	3,400	3,616	3,730	3,850
4340	Educat Software	15,429	26,232	27,896	28,778	29,698
4345	NonInstStdntSup	1,099	1,868	1,986	2,049	2,115
4346	TeacherSupplies	5,000	8,501	9,040	9,326	9,624
4351	Yearbook	100	170	181	187	192
4390	Uniforms	1,850	3,145	3,345	3,451	3,561
4410	ClssrmFrnEqp<5k	2,000	3,400	3,616	3,730	3,850
4430	OffceFurnEqp<5k	3,000	5,100	5,424	5,595	5,775
4440	Computers <\$5k	7,600	12,921	13,741	14,175	14,629
4720	Food:Other Food	3,150	5,355	5,695	5,875	6,063
SUBTOTAL - Books and Supplies		129,561	220,274	234,250	241,652	249,385

Municipal Government of ...		Municipal Government of ...		Municipal Government of ...		Municipal Government of ...		Municipal Government of ...	
FUNDING CALCULATIONS		FUNDING CALCULATIONS		FUNDING CALCULATIONS		FUNDING CALCULATIONS		FUNDING CALCULATIONS	
2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
...
TOTAL REVENUES		TOTAL REVENUES		TOTAL REVENUES		TOTAL REVENUES		TOTAL REVENUES	
...
TOTAL EXPENDITURES		TOTAL EXPENDITURES		TOTAL EXPENDITURES		TOTAL EXPENDITURES		TOTAL EXPENDITURES	
...
NET SURPLUS / (DEFICIT)		NET SURPLUS / (DEFICIT)		NET SURPLUS / (DEFICIT)		NET SURPLUS / (DEFICIT)		NET SURPLUS / (DEFICIT)	
...



Magnolia Science Academy - 6
Updated Financial Projection
FUNDING ASSUMPTIONS

ENROLLMENT/ADA ASSUMPTIONS:

1. By-grade enrollment projections are shown on the Enrollment Assumptions sheet.
2. ADA ratios are based on historical averages.
3. LCFF Unduplicated % estimated at 77.00% based on combined estimated rate.

FEDERAL FUNDING ASSUMPTIONS:

1. ESSA Title I, II, and IV included. Rates based on pro-rated historical levels.
2. IDEA SPED assumed at LAUSD SELPA rates.

STATE FUNDING ASSUMPTIONS:

1. LCFF funding is calculated using FCMAT's LCFF Calculator and results entered into the Funding Calculations page, assuming Los Angeles Unified School District as the highest physical location district for both base year and unduplicated percentage calculations.
2. COLAs and gap rates taken from LCFF FCMAT Calculator 20.2c.
3. Mandate Block Grant funding is assumed based on prior year P-2 ADA.
4. AB602 SPED assumed at LAUSD SELPA rates.

LOCAL FUNDING ASSUMPTIONS:

1. Other Local Revenue of \$17,500 from local fundraising and other sources.

CASH FLOW ASSUMPTIONS:

1. No loans currently assumed.
2. No state deferrals currently assumed.

Magnolia Science Academy - 6
Updated Financial Projection
ENROLLMENT AND A.D.A. ASSUMPTIONS

	YEAR 1		YEAR 2		YEAR 3		YEAR 4			
	(Current Year)		2020-21		2021-22		2022-23		2023-24	
	ENROLL	ADA	ENROLL	ADA	ENROLL	ADA	ENROLL	ADA	ENROLL	ADA
Total TK-3 Enrollment	0	-	0	-	0	-	0	-	0	-
Total 4-6 Enrollment	34	32.00	60	57.60	60	57.60	60	57.60	60	57.60
Total 7-8 Enrollment	102	99.00	125	120.00	125	120.00	125	120.00	125	120.00
Total 9-12 Enrollment	0	-	105	100.80	115	110.40	115	110.40	115	110.40
TTL Enrollment/ADA	136	131.00	290	278.40	300	288.00	300	288.00	300	288.00
Non-Classroom-Based										
TTL TK Enrollment	-	-	-	-	-	-	-	-	-	-
TTL Kinder Enrollment	-	-	-	-	-	-	-	-	-	-
TTL Grade 1 Enrollment	-	-	-	-	-	-	-	-	-	-
TTL Grade 2 Enrollment	-	-	-	-	-	-	-	-	-	-
TTL Grade 3 Enrollment	-	-	-	-	-	-	-	-	-	-
TTL Grade 4 Enrollment	-	-	-	-	-	-	-	-	-	-
TTL Grade 5 Enrollment	-	-	-	-	-	-	-	-	-	-
TTL Grade 6 Enrollment	34	32.00	60	57.60	60	57.60	60	57.60	60	57.60
TTL Grade 7 Enrollment	55	53.38	63	60.48	63	60.48	63	60.48	63	60.48
TTL Grade 8 Enrollment	47	45.62	62	59.52	62	59.52	62	59.52	62	59.52
TTL Grade 9 Enrollment	-	-	33	31.68	36	34.56	36	34.56	36	34.56
TTL Grade 10 Enrollment	-	-	21	20.16	31	29.76	31	29.76	31	29.76
TTL Grade 11 Enrollment	-	-	27	25.92	24	23.04	24	23.04	24	23.04
TTL Grade 12 Enrollment	-	-	24	23.04	24	23.04	24	23.04	24	23.04
TOTAL:	136	131.00	290	278.40	300	288.00	300	288.00	300	288.00
LCFF Unduplicated Calc:										
Enrollment*	136		290		300		300		300	
Unduplicated Count*	118		223		231		231		231	
Unduplicated Percentage:	86.76%		76.90%		77.00%		77.00%		77.00%	
Blended 3-year UP:	83.26%		80.76%		78.79%		76.97%		77.00%	

Magnolia Science Academy - 6 Updated Financial Projection STAFFING ASSUMPTIONS

Staffing Levels - Rationale/Explanation

While we will make every effort to minimize staff turnover, all staff will be "at-will". If pre-enrollments do not indicate capacity enrollment, teaching staff will only be retained at levels sufficient to meet core subject needs, and additional teachers added only as enrollment grows. If enrollment drops thereafter, while every effort will be maintained to provide a stable learning environment, staff reductions will be enacted if needed to maintain fiscal solvency as a result of lower ADA-based revenues.

Staffing structure and staffing levels are consistent with historical actuals as well as the general framework outlined in the petition narrative. We do not anticipate substantive changes from the staffing plan outlined in the petition, although the final staffing and allocation is subject to change based on final demographics, SPED student count and other factors.

Annual Pay Increases - Rationale/Explanation

We assume two primary factors affecting annual compensation adjustments: (a) the statewide COLA increase, which we plan to use to adjust our salary scales; and (b) the step-and-column adjustments for each staff member. Generally we plan for normal step-and-column increases as well as overall COLA increases to the entire scale based on statewide COLAs and other factors. For this Financial Update, we are assuming an overall COLA increase matching the FCMAT statewide COLA projections, and an average 2.50% step/column annual increase (taking terms/replacements into account).

Benefits - Rationale/Explanation

We are assuming benefits at the following rates:

STRS = as per published CalSTRS rates
PERS = as per published CalPERS rates
OASDI = 6.20%
Medicare = 1.45%

For budget purposes we are assuming all certificated staff are CalSTRS participants.
For budget purposes we are assuming all classified staff are CalPERS participants (after 1,000 hours).
We are assuming benefits for all certificated staff as well as exempt full-time classified staff. Currently we are calculating healthcare costs as a flat percentage of payroll as an overall budget estimate. Actual healthcare costs will be determined by employee following a full analysis of potential insurance providers, and plans will be selected through competitive bidding - plans may be modified during the charter renewal term if necessary.