



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item #	II A
Date:	June 13,2016
To:	MPS Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Kelly Hourigan, Chief Operations Officer
RE:	Closure of MSA Santa Clara

Proposed Board Recommendation

I move that the board directs staff to take the necessary actions to close MSA Santa Clara by June 30, 2016 due to our inability to find facilities in close proximity to our student population.

Background

In June 2015, the Santa Clara Unified School District chose not to renew the lease Magnolia had of its school site. Magnolia had been searching for a new site during the previous year but had been unable to locate a site. In August 2015, Magnolia was able to secure a temporary location 13 miles from its previous site and kept the school open at a considerable loss that has been previously discussed. Unfortunately, the staff remained unable to find a new site and the enrollment generated at the temporary location is insufficient for the school to remain open. In May 2016, the board considered closing the school; however, at the urging of students and families, they extended the time to find a site. Since then, two potential sites have been sought but not come through.

As the Board of Directors prepares to make a determination on the future of Magnolia Science Academy-Santa Clara (MSA-Santa Clara), the proper steps need to be addressed and taken to ensure Magnolia Schools meet all requirements – both to our students and families, authorizers and the State of California. All legal, communications, and financial requirements are detailed in the action plan below.

The goal of this memo is to provide clear steps to ensure a smooth transition should the board decide to permanently close MSA-Santa Clara.

Closure of MSA-Santa Clara- Overview

- Communications
- Authorizers
- Financial
- Facilities and Staff
- Operations and Technology
- Legal

Communications

The Outreach and Communications Team will spearhead the communications effort with the support of Larson Communications. We sent out letters to parents and staff, as well as held a teleconference call with parents and staff on Saturday, June 11, at 9am. As soon as the MPS board makes a decision we will send follow-up correspondence on Monday, June 13, at 9am. In addition, Alfredo will ensure that all internal and external partners are communicated with concerning this matter.



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Financial

The Finance team will handle all communication with external auditors to properly explain the decision to close the school and what the overall financial impact will be to Magnolia Public Schools.

Facilities

The Facilities team will be in charge of all MSA-SC facility inventory, including ensuring that all furniture is transferred to the MPS storage warehouse.

Human Resources

The Human Resources team will speak with all staff members the week of June 13 regarding all options moving forward.

Operations and Technology

The Operations team will handle all aspects of technology and operations, which include working with the CDE on timely Calpads reporting, transfer of student records, among other things.

Legal

Our legal team will work closely with our Board of Directors and Home Office staff to ensure that all local, state, and federal regulatory laws are adhered to in alignment with our MSA-Santa Clara petition.

Budget Implications:

The MSA-SC financial projections estimates an operating loss for the year totaling \$1.45 million primarily due to the decrease of revenues relating to low student enrollment, and a revenue write-off of \$406k of In-Lieu receivables based on the recommendation of our external auditors. MPS will continue to actively collect the In-Lieu of property taxes and will reflect the revenue as soon as the amounts are received.

	Budget			
	Actual YTD	Approved Budget	Previous Month's Forecast	Current Forecast
SUMMARY				
Revenue				
General Block Grant	550,089	770,883	709,424	709,424
Federal Revenue	11,734	63,688	27,417	27,417
Other State Revenues	329,412	347,168	305,639	305,639
Local Revenues	26	-	26	26
Fundraising and Grants	259	15,500	1,500	1,500
Total Revenue	891,520	1,197,239	1,044,006	1,044,006
Expenses				
Compensation and Benefits	943,151	1,066,860	1,191,579	1,257,612
Books and Supplies	33,058	80,670	73,201	73,201
Services and Other Operating Expenditures	595,587	688,291	763,735	1,157,727
Capital Outlay	6,051	6,051	6,051	6,051
Total Expenses	1,577,847	1,841,872	2,034,565	2,494,591



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Operating Income (excluding Depreciation)	(686,327)	(644,633)	(990,560)	(1,450,585)
<i>Operating Income (including Depreciation)</i>	<i>(680,276)</i>	<i>(678,435)</i>	<i>(1,024,362)</i>	<i>(1,484,388)</i>
Fund Balance				
Beginning Balance (Unaudited)	473,945	473,945	473,945	473,945
Audit Adjustment	24,592	-	24,592	24,592
Beginning Balance (Audited)	498,537	473,945	498,537	498,537
Operating Income (including Depreciation)	(680,276)	(678,435)	(1,024,362)	(1,484,388)
Ending Fund Balance (including Depreciation)	(181,739)	(204,490)	(525,825)	(985,851)

Intra-Company Loan

In addition, MSA-SC incurred additional expenses to support the academic program and the Home Office provided operational loans totaling \$453.8k (as of April 30, 2016) and by waiving the CMO fees for fiscal year 2015-16.

Based on the current MSA-SC projections the school will require an additional capital infusion of \$438.9k to meet all remaining commitments relating to the equipment financing, reimbursement in State Aid overpayments, and other current liabilities. Additional expected liabilities are as follows:

Description	Amount
Accounts Payable	30,404
State Aid Overpayment	291,040
District Prior Year Prop Tax Adjustment	3,162
Payable to County (prior yr adj)	16
Other Current Liabilities	58,305
H&W Benefits (Kaiser & Metlife)	7,570
Chromebooks Loan	48,474
Total	438,971

Based on our current projections, the total MSA-SC intra-company loan is estimated to be at year end \$892.7k.

Impact of Closure on the Organization:

Based on a preliminary conversation with our external auditors, MSA-SC charter will need to close on or before June 30, 2016 in order to avoid a Going Concern Opinion. MPS' management is working closely with Vavrinek, Trine, Day, LLP in order to ensure that all closure requirements are met before the June 30th deadline if the Board of Directors approves the closure of MSA-SC. Our external auditors will be in the call to answer questions relating to the financial impact to the organization.

Name of Staff Originator:

C-Team