



Board Agenda Item #	Agenda # III L
Date:	March 9, 2017
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Frank Gonzalez, Chief Growth Officer
RE:	Amended Project Budget and Prop 1D Financing for MSA SA

Proposed Board Recommendation

I move that the board the approve an inter-agency loan according to the attached schedule to fund the portion of the MSA Santa Ana phase one school site project not covered by the Proposition 1D bonds.

Background

Please see the attached July 28, 2015 board report for the full history of the Santa Ana school site project. On that date, the board approved the RC Construction bid (\$12,526,000, see page 6) for the project as well as the overall project budget (excluding property) of \$15,573,128 (see page 7). While the RC Construction contract itself did not include a contingency, the overall project budget did include a contingency of five percent (see page 17).

Due to multiple challenges on the project, including subsurface soil conditions; unexpected high water table levels, the city water pipe being a different size than the city had in their plans, design and engineering matters and the need to incur overtime during the final three months of the project to ensure it opened for the start of school, the team did need to use the contingency. Fortunately, the team also was able to save money by negotiating and reducing the proposed change order amounts and not needing the anticipated bridge loan at the start of construction as described in the board report.

Overall, the project construction requires \$632,048 above the funds available from Prop 1D which staff proposes to be funded in a revolving 0% interagency loan to be paid by the school according to the attached schedule.

Budget Implications

Additional 2016-17 Inter-agency loan to MSA SA

- from MSA 4 \$ 50,000
 - from MSA 5 \$100,000
 - from MSA 6 \$ 50,000
 - from MSA 7 \$100,000
 - from MSA 8 \$332,048
- Total \$632,048

How Does This Action Relate/Affect/Benefit All MSAs?

This provides the funding source identification required to pay the contract invoices outstanding to the general contractor, testing and inspection company and architecture firm.

Name of Staff Originator:

Attachments

MSA SA 5- Year Budget (Attached as part of item III I- Proforma Excel)

Board Report, July 2016, Authorizing project contract award



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item # 9	DRAFT for UMIT Because you have to catch a plane
Date:	07.28.2015
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D. CEO & Superintendent
Staff Lead:	Frank Gonzalez
RE:	MSA Santa Ana Facility Construction AWARD OF LOW BID

Proposed Board Recommendation

The Magnolia Educational and Research Foundation opened a new set of bids for the Magnolia Science Academy Santa Ana on July 21, 2015 at 2:00pm. The following bids were received from prequalified bidders on the project:

R C Construction Services	\$12,526,000
AMG & Associates, Inc.	\$12,849,000
Morillo Construction, Inc.	\$13,084,000
Paul C. Miller Construction	\$13,340,000

NEFF Construction, Inc., serving as the official construction management firm for the project, has reviewed the low bidders bid for responsiveness and on that basis has forwarded the attached recommendation to award the project to R C Construction Services. Staff concurs with this recommendation and asks the Board to award a contract to R C Construction Services in the amount shown above.

[As of July 23, NEFF Construction is reviewing these bids. The recommendation above anticipates a favorable review; however, staff will confirm this prior to the board meeting and leaders from NEFF Construction and Berliner and Associates will be available on the call to answer questions.]

Staff recommends that contracts be awarded in the amount of \$52,597.00 to River City Testing for DSA testing services, and to Inland Inspections in the amount of \$131,750 for DSA Inspection services. Multiple bids were sought for these services and the project team recommends that these experienced companies be hired to perform this mandated work.

Project Information

Project Lead:	Magnolia Educational and Research Foundation
Project:	Magnolia Science Academy Santa Ana
Location:	2840 W First Street, Santa Ana, CA

Construction Manager: NEFF Construction Inc.
Architect: Berliner and Associates

Project Financials (CSFP)

Total OPSC Project Cost:	\$17,413,956
State Apportionment (50%):	\$8,706,978
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$8,706,978
Length of CSFP Funding:	30 Years
Assumed Interest Rate:	3.0%
Estimated Annual CSFP Payment:	\$521,674

Repayment of the CSFP financed amount begins one year after occupancy.

Project Description

New Construction of a two-story facility totaling 48,353 square feet with 29-33 classrooms on a lot of 2.68 Acres at 2840 W 1st Street in the City of Santa Ana in Orange County. The project has been re-scoped several times over the last three years. The currently adopted version does not include a gymnasium until a future funded phase 2. In June 2011, the state advanced \$4,081,395 for site acquisition with payments scheduled to commence one year after move in. The balance of the \$17.4 million in bonds will be provided to MPS after the state sells the bonds, anticipated in the spring 2016. The school will have a capacity of 1020 students for students in grades K-12. Construction will begin August 5, 2015, financed by a bridge loan with the principal being repaid by state bonds and the interest being repaid by the school operations over time. It is anticipated that the project will be completed for the 2016-2017 school year.

Background

Since 2010, MPS has been working to development a Prop 1D funding strategy to acquire a long-term signature school facility for the Santa Ana school. Although the project was stalled last fall just as the project approached critical deadlines, the staff successfully navigated the state funding process this spring, receiving approval for full funding of the project through state supported bonds totaling \$17.4 million.

The state's Charter School Facilities Program Proposition 1D program is a government program whereby the State of California sells bonds that are used to fund school construction for charter schools. Half of the money comes to us as an outright grant and half of the money we have to pay back over 30 years at an extremely low interest rate of 3 percent. This means that we will get access to a facility that will eventually serve 1,020 students for a base annual cost of less than \$600 per pupil per year, considerably lower than our average facilities expenses system-wide. Along with these generous public resources come very strict accountability requirements. For more information on the program, please refer to the following links:

Proposition 1D General Information:

Information on the State of California's Charter School Facilities Program, Office of Public School Construction:

<http://www.dgs.ca.gov/opsc/Programs/charterschoolfacilitiesprogram.aspx>

Information on the State of California's Charter School Facilities Program, California School Finance Authority:

<http://www.treasurer.ca.gov/csfa/charter.asp>

Project Milestones:

Notice to proceed on design work	August 2012
Submittal to DSA	April 2013
DSA Approval	February 2014

By August 2014, the project was moving forward towards the beginning of construction in Fall 2014, with an estimated completion date of Fall/Winter 2015. Approvals had been received from CDE, DTSC and DSA. The final two state agency approvals that were needed in order to begin construction were from CSFA and OPSC/SAB. A decision was made to bid the project pending financial soundness determination from CSFA and a final apportionment vote by OPSC/SAB.

Prequalification of Contractors	June – July 2014
Project is Bid Out	August 2014
Bids Received	September 18, 2014
Project put out on hold	September 30, 2014

The bids received on September 18, 2014 were never brought to the board because of departure of the CEO and CFO, and because the low likelihood of MPS passing the CSFA financial soundness tests during the state audit and LAUSD litigation made the financing unlikely. Nevertheless, the bids received were opened and included the following:

AMG & Associates, Inc.	11,922,000
W.D. Gott Construction Co.	12,147,000
T.B. Penick & Sons, Inc.	12,198,600
Parkwest Construction Company	12,397,000
Intertex General Contractors, Inc.	12,833,000
Morillo Construction, Inc.	15,777,000

The State Allocation Board voted in Winter 2014 to grant final apportionment approval, conditioned upon an affirmative vote on financial soundness by the board of CSFA. The vote from CSFA did not take place in Winter 2014 due to a variety of issues that caused the CSFA underwriting team to have significant concerns about the viability of the organization, confidence in management's ability to successfully operate the organization and the lack of board oversight. At that time, Magnolia Public Schools team was not prepared to submit the necessary information requested by CSFA to go through the underwriting process.

On January 22, 2015, the new Magnolia management team met with Katrina Johantgen, CSFA Executive Director, to (a) ascertain what additional information was needed to determine financial soundness, and to clarify additional financial questions; (b) provide additional information on the lawsuit, renewal of MSA 6,7 and 8, refute the findings of the VLS audit report commissioned by LAUSD and address concerns as raised in the lawsuit with LAUSD. This meeting opened the door to a renewed relationship; however, the CSFA staff still was not in a position to recommend an affirmative vote finding financial soundness to their board until the LAUSD had renewed MSA's schools, the lawsuit was settled, our consolidated audit showed financial solvency, and the State Audit removed uncertainty over Magnolia's financial processes. The same month, staff met with OPSC who informed Magnolia that the conditional SAB approval was no longer valid and a new approval had to be sought *after* an affirmative vote from CSFA. This meant that all of the CSFA's conditions would have to be met by the end of May 2015 for the project to have a possibility of completion prior to the 2015-16 school year.

By then, the winning bidder had waited four months since the bid opening date and could only hold their price for an additional 30 days. The winning bidder's bid bonding capacity was being tied up by the project, exposing Magnolia to a claim of lost business. The uncertainty of financing for the project, given the issues with state approvals from CSFA and SAB; ongoing financial, operational and legal issues; and, the uncertain future of Magnolia as a viable entity due to the potential closure of three schools authorized by LAUSD led the project team, including the construction manager and architect, to make a decision to not move forward with the award of the general contract, as bid in September 2014. The winning bidder was notified and their bid bond returned to them. The team decided to bid the project after CSFA and SAB approval (the point at which funding would be most secure), and to identify bridge financing at that point to open the school as early as possible.

From February through May, the Magnolia staff developed the necessary documents and compiled the necessary information requested by CSFA including five year budgets, audited financial statements, year to date financials for each school, five year enrollment projections, a description of the new management structure, a description of newly acquirement management capacity and various new policies and procedures. The team also held several meetings with staff at the Office of Public School Construction to provide

an organizational update and address their questions and concerns, in preparation for an affirmative vote.

After many months of working with CSFA and OPSC, the needed votes were secured from both agencies. On May 27, 2015 at 2pm the Board of CSFA voted positively to determine that Magnolia is financially sound for the purposes of CSFP Final Apportionment. At 4pm, on the same day, May 27, 2015, the State Allocation Board voted affirmatively on the Final Apportionment.

At the CSFA meeting on May 27, 2015, Katrina Johantgen informed us that CDE had withdrawn the Certificate of Good Standing due to issues that were raised during the annual site visit to MSA Santa Ana. The main reason was due to issues that CDE found with the operation of the school, notably the lack of documentation, testing and parental notification in the English Language Learner program. A meeting was held with CDE to ascertain how to address the issues to the department's satisfaction. A plan was to address these concerns was drafted and executed successfully, garnering a Certificate of Good Standing letter from CDE on June 9, 2015. OPSC placed the project on the Priority Funding List on June 11, 2015, the last step necessary to receive state bond funds for the project.

CSFA Financial Soundness Determination	May 27, 2015
State Allocation Board Approval	May 27, 2015
DGS Unfunded Approval Project Award Letter	June 2, 2015
CDE Letter of Good Standing	June 9, 2015
OPSC Priority Funding List	June 11, 2015

Magnolia formally requested the final apportionment in the amount of \$13,332,561 on behalf of Magnolia Science Academy Santa Ana and the Office of Public School Construction placed the project on the Priority Funding Request Acceptance List. The state historically has sold bonds in the Fall and Spring of every year; therefore, we anticipate that the bonds for this project will be included in the Spring 2016 bond sale.

With the funding finally secured, the project team determined that in order to meet the delivery date of August 2016 and follow the requirements of the CA Public Contract Code, Section 20110, the public bidding process would have to begin immediately.

The public bid period for the Magnolia Science Academy Santa Ana project began on July 3, 2015 and ended on July 21, 2015 at 2:00 PM. NEFF Construction, Inc. notified additional potential qualified general contractors regarding this project and re-opened the prequalification process with submissions due no later than July 11, 2015 and all prospective bidders notified no later than July 15, 2015. In accordance with Public Contract Code section 20112, advertisements were placed in the Orange County Register on June 29, 2016 and July 6, 2015. The invitation to submit prequalification documents was also posted on the Magnolia website. The project plans and specifications were made available to prospective bidders on July 3, 2015 through the use of the A&I Reprographics FTP site,

and potential bidders were made aware of this circumstance in the Notice Inviting Bids which was included in both the advertisements and the project documents. Printed copies of the plans and specification were also made available to bidders in the NEFF Construction, Inc. plan room at their home office in Ontario, CA. The following bids were received and publicly opened at the Magnolia Educational and Research Foundation offices in Westminster, CA:

R C Construction Services	\$12,526,000
AMG & Associates, Inc.	\$12,849,000
Morillo Construction, Inc.	\$13,084,000
Paul C. Miller Construction	\$13,340,000

Subsequent to the bid opening, the lowest two bids have been reviewed by NEFF Construction, Inc. for responsiveness and no material regularities have been discovered. It should be noted that a challenge to the winning bid has been filed by AMG Construction, claiming that the winning bid by RC Construction Services is non-responsive. These challenges are standard on projects that go out for public bid. Our legal team is reviewing the claim and will forward a recommendation before the board meeting.

Profiles of the two lowest bidders (in their own words):

RC

R.C. Constuction Services has been helping public and private sector clients build and renovate schools, libraries, police and fire stations, civic centers, offices and industrial facilities throughout Southern California since 1994. R. C. can effectively handle projects from less than \$5M to \$50M+, using both traditional and Design/Build delivery options. We self-perform concrete, and also provide subcontracting services to our industry partners.

We are family owned, highly responsive, and focused on the complete satisfaction of our clients, at a reasonable prices, using the latest in construction technology, including green building practices. We appreciate your interest in our company, and invite you to visit all areas of our website. Get to know R.C. Construction Services better, and we are confident that you will become a satisfied, repeat customer or teaming partner.

AMG

AMG is a California-based SCorp with headquarters in Santa Clarita, California. AMG is a fully licensed, bonded and insured general contractor with expertise in all aspects of construction from conceptual design all the way through to occupancy. AMG recently earned designation as a LEED Accredited Contractor which is managed by the Green Building Certification Institute (GBCI).

The three principals of AMG (Albert M Giacomazzi, President: Gregory B. Barrow, Vice President: Anthony R. Traverso, Vice President) have worked together for over 15 years. The mission for AMG is to provide the highest quality pre-construction, construction management, general contracting and general engineering services available for private and public works projects. They will deliver this quality using their combined 75 years of construction experience and a commitment to maintain a “hands-on” approach to each and every project.

Although a bid withdrawal is not anticipated at this time, in accordance with Public Contract Code section 5103, R C Construction services has until 2:00 PM on July 28, 2015 to provide written notice of both their intention to withdraw their bid and the basis for this request. It is anticipated that the project will be awarded to the low responsive and responsible bidder on July 28, 2015 sometime after 2:00 PM.

This is the item before you now as a board. By voting to award this contract to the lowest bidder as determined by this public bidding process, held in compliance with the California Public Contract Code by NEFF Construction, you will allow the Magnolia Science Academy Santa Ana project to commence construction with adequate time for completion before the start of the 2016-17 school year.

Budget Implications

Attached are relevant project budget documents prepared by NEFF Construction and reviewed by Magnolia staff showing total project costs of \$15,573,128, which include earlier incurred architectural and other preparation expenses enumerated and a 5% project contingency, but does not include the acquisition of the site. Also attached is a monthly cash flow chart of the project construction expenses and construction management fees anticipated to be paid for using bridge financing until the state lets the bond in the spring. Magnolia will use the bond proceeds to repay the bridge financing principal and school operating dollars over time to repay the bridge loan interest. Bridge loan options will be brought to a later board meeting. All of these project documents exclude non-Prop 1D capital related expenses for the project. The Magnolia accounting team is currently reviewing records back to the beginning of the project to appropriately identify related expenses to accurately reflect the full cost of the project.

Attachments and links:

May 27, 2015 CSFA Agenda:

<http://www.treasurer.ca.gov/csfa/agenda/2015/20150527.pdf>

May 27, 2015 SAB Agenda:

http://www.documents.dgs.ca.gov/opsc/SAB_Agenda_Items/2015-05/May_27_2015_Agenda.pdf

Department Of General Services, Unfunded Approval Project Award Letter, Issued June 2, 2015; Attached (54-66670-00-003 Magnolia Santa Ana Unfunded Approval.pdf)

Office of Public School Construction, Priority Funding Request Acceptance List, Issued June 11, 2015; Attached (PIF_List_6_11_15.pdf)

CSFA MERF Staff Report, Financial Soundness Determination, Issued May 2015; Attached MERF - CSFA Staff Report, May 2015.pdf)

2014 Bid Opening Results (Bids Opened Results_18Sep14.pdf)

Current Project Cost Summary (460-Magnolia project cost summary. Bid.7.21.15.pdf)

Current Construction Cash Flow Schedule (460 Bid Const Schedule 15-07-23.pdf)

PDF of School Drawings (2013 8 2 PacificTechnologySchool_SantaAna.pdf) The school's original name was Pacific Technology School because all of the Magnolia schools authorized under the statewide charter were PT schools; however, when the state stopped authorizing statewide charters, they became Magnolia schools.

MAGNOLIA PUBLIC SCHOOLS PACIFIC TECHNOLOGY SCHOOL - SANTA ANA



MAIN FACADE

ABOUT MAGNOLIA PUBLIC SCHOOLS

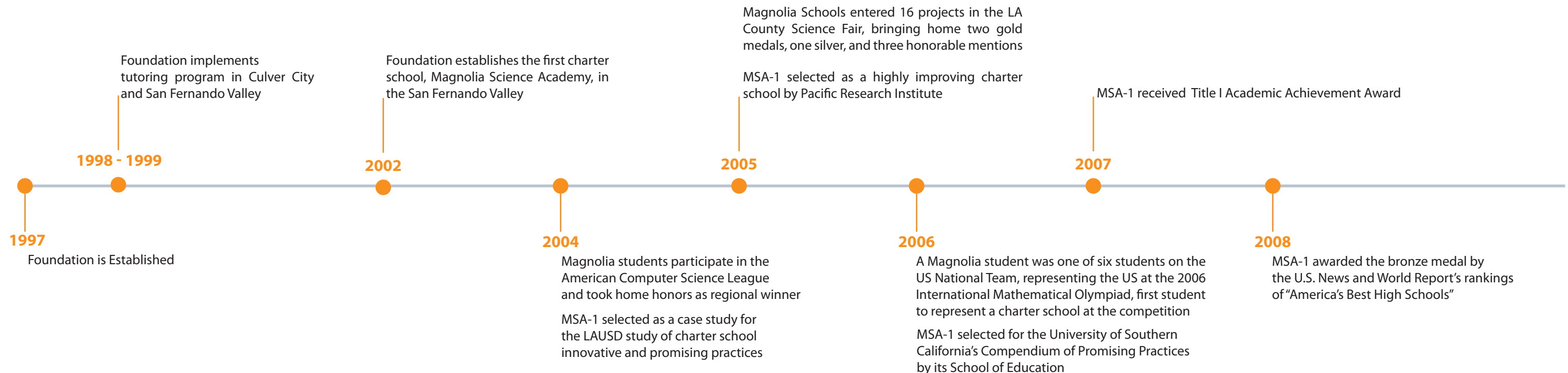
The **Magnolia Educational & Research Foundation (Foundation)** is a non-profit organization established in August 1997. The Foundation, headquartered in Los Angeles, California, is granted tax-exemption status (501(c)(3)) by the IRS and the State of California.

Our vision “*Inspiring Students to Choose Paths in Science and Technology*”, is supported by our belief that increasing educational opportunities at every level is an asset to progress and further development. Our methodology is rooted in the core values of the Accord Institute Educational Model.

OUR DIFFERENTIATORS

- **Small Class Sizes:** 25 students maximum in each class.
- **Reflecting the Demographics of the Neighborhood:** 72% Hispanic and 80% free or reduced lunch.
- **Technology Integration:** Core classes taught within the framework of a computer-based curriculum.
- **Extended Education:** After-school tutoring and Saturday classes led by classroom teachers for low-achieving students.
- **Focus on Parent Involvement:** All parents are visited at home by classroom teachers and encouraged to participate in meetings with teachers and faculty.

MAGNOLIA PUBLIC SCHOOL MILESTONES



HISTORY

In 1998, the Foundation began organizing volunteer tutors for middle and high schools, specializing in math, science, and computer technology areas, by utilizing connections to major research universities throughout Southern California.

In 1999, the Foundation organized and implemented a joint program with Culver City District to provide tutoring for students around the city. It also started a free tutoring program in the Sherman Oaks/Van Nuys Area of the San Fernando Valley. These programs resulted in partnerships with school districts to support educational initiatives. In 2002, the Foundation established the first charter school, Magnolia Science Academy (MSA), in the San Fernando Valley. Since then, the Foundation has established five additional charter schools to provide the innovative and high-quality education.

In 2009, the Foundation was approved by the California State Board of Education to start 10 state-wide benefit charter school sites in California over the next six years. The approval was a testament to the success of our schools, as it was only the third time a charter school operator has been granted such permission in California. The first two school sites, operating under the statewide benefit charter Pacific Technology School, opened in Sacramento and Orange County in August 2009.



MAGNOLIA PUBLIC SCHOOLS - PIONEERING ACHIEVEMENTS

REPLICATING THE MPS EDUCATION PROGRAM

Magnolia has successfully implemented an education program that has gained international, national, and state level recognition and awards. Through its affiliation with The Accord Research Institute, it has developed and refined curriculum, programs, and supplemental activities that promote each student's ability to learn and thrive.

Magnolia students have won more than 80 awards in nationwide math and science competitions, and science fairs such as the USA Computer Olympiad, American Computer Science League, American Mathematics Competitions, and those held by the Los Angeles County Science Fair and the San Diego County Science Fair.

FIRST IN CALIFORNIA

MSA-1 was the first school in California to participate in the American Computer Science League, in which students from 200 schools throughout the US compete in computer programming. It was the regional winner of the junior division in 2004 among all schools participating from Texas, New Mexico, and California.

FIRST IN LAUSD

All Magnolia schools in Los Angeles successfully participate in the Los Angeles County Science Fair. In 2005, MSA students participated in the 55th Los Angeles County Fair with 16 projects, which constituted more than 10% of the total projects (142) from LAUSD. MSA-1 received the highest number of awards at this fair: two gold medals, one silver medal, and three honorable mentions among 733 participants in 30 categories.

FIRST IN CHARTER SCHOOL HISTORY

One of its students, Zarathustra Brady, an 11th grader at MSA-1, won the gold medal at the 2006 International Mathematical Olympiad (IMO), the most prestigious and most difficult international math competition for high school students. Zarathustra Brady became the first charter school student to qualify for the US National Math Team. The Los Angeles Unified School District Board of Education presented a letter of recognition to Zarathustra, the first southern Californian to win in a decade.

California State Board of Education granted approval for the Foundation to start 10 statewide benefit charter school sites, which includes Pacific Technology School - Santa Ana

MSA-1's Future City Competition project, "Megalos" was one of the most exciting designs at the national finals in Washington D.C. Among 35,651 Future City competitors nationwide, MSA-1 students were selected in the top 100.

MSA-1 awarded the silver medal by the U.S. News and World Report's rankings of "America's Best High Schools"

Ranked 13th in California and 114th nationally by the Washington Post's High School Challenge Index

High College Acceptance Rate: All of MSA-1's graduates were enrolled in a college.
44% of graduates were first generation college attendees

MSA-1 awarded a gold medal

Ranked #30 out of over 2,039 schools in California by the US News and World Report

2009

2010

For the sixth consecutive year, Magnolia Charter Schools' API scores increased, ranging from 745 to 847

2011

2012

Design of Pacific Technology School - Santa Ana Began

MSA-1 awarded a gold medal
Ranked #45 out of over 2,000 schools in California

2013

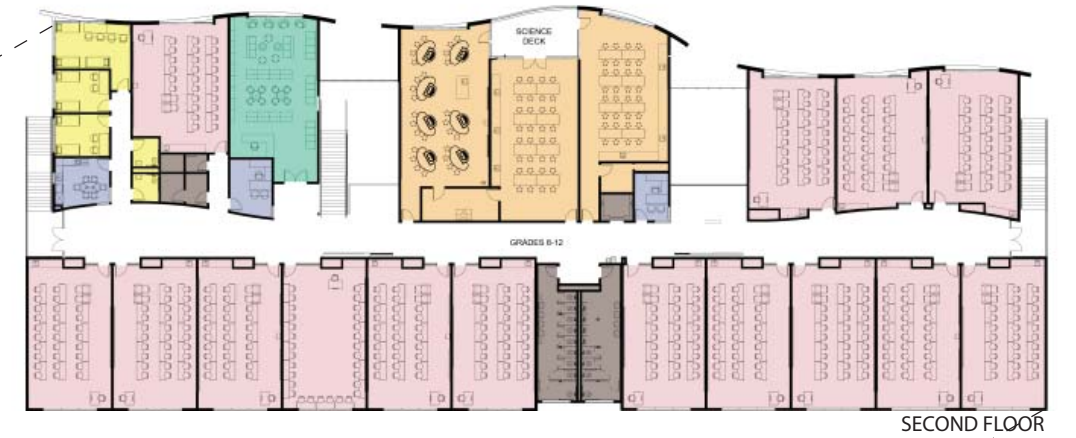
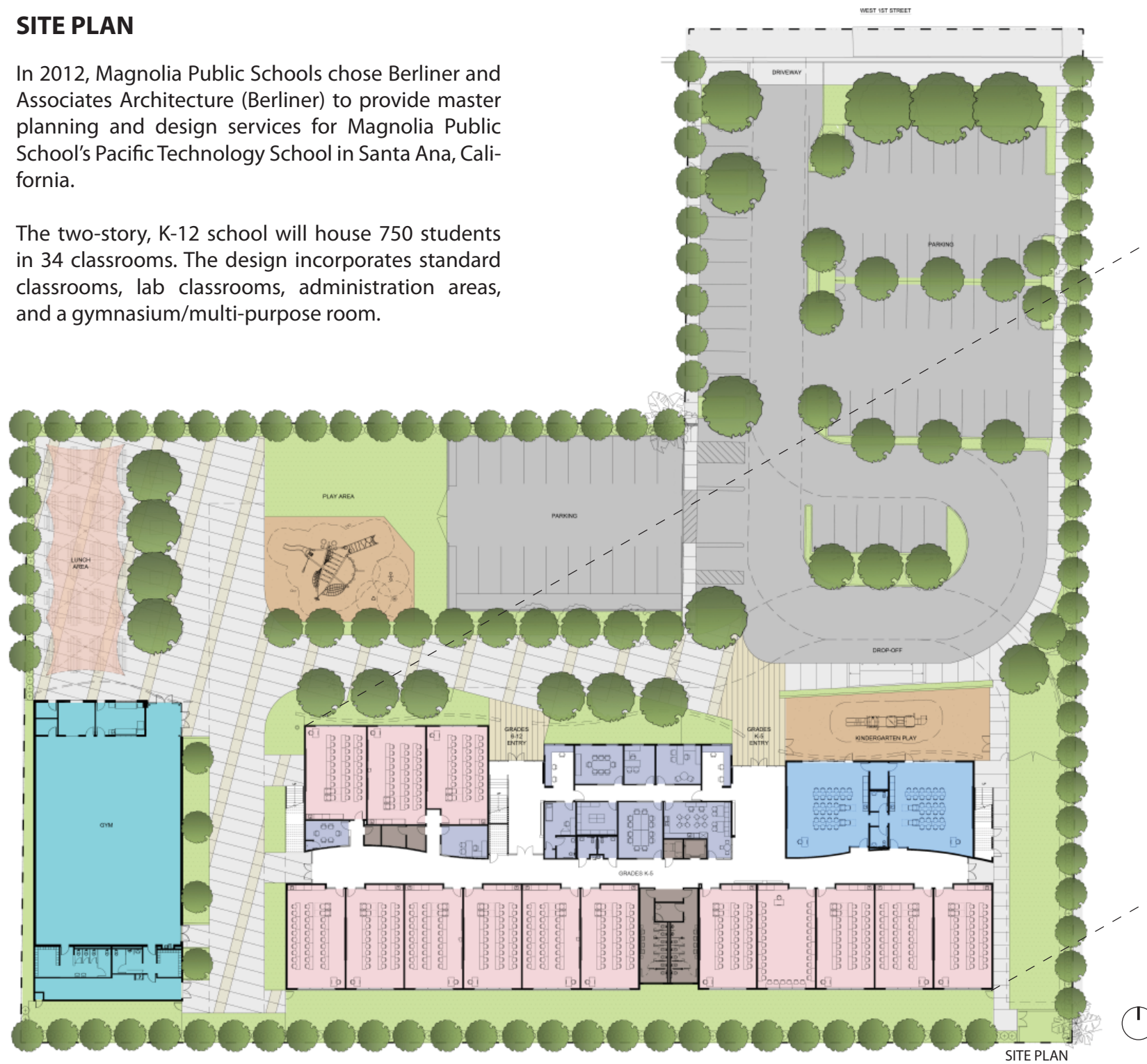


PACIFIC TECHNOLOGY SCHOOL - SANTA ANA

SITE PLAN

In 2012, Magnolia Public Schools chose Berliner and Associates Architecture (Berliner) to provide master planning and design services for Magnolia Public School's Pacific Technology School in Santa Ana, California.

The two-story, K-12 school will house 750 students in 34 classrooms. The design incorporates standard classrooms, lab classrooms, administration areas, and a gymnasium/multi-purpose room.



- ADMINISTRATION
- CLASSROOMS
- SCIENCE LABS
- GYMNASIUM
- LIBRARY
- RETREAT

CLASSROOM RENDERINGS



The school's 34 classrooms were designed to maximize the use of daylighting for energy efficiency and to create a pleasant and comfortable visual learning environment.

GRADES K - 5 LOBBY RENDERINGS



With separate entrances for the upper and lower schools, the design allows for the older and younger students to enjoy spaces independent of one another. Interior glass optimizes an open learning environment that builds a sense of community and connection.

GRADES 6-12 LOBBY RENDERINGS



MAGNOLIA SCIENCE ACADEMY - SANTA ANA

7/23/15

Start	Complete	JUN-15	JUL-15	AUG-15	SEP-15	OCT-15	NOV-15	DEC-15	JAN-16	FEB-16	MAR-16	APR-16	MAY-16	JUN-16	JUL-16	AUG-16
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CONSTRUCTION

Notice of Award	29-Jul-15	29-Jul-15														
Notice to Proceed	3-Aug-15	3-Aug-15														
Shop Drawing, Submittal Period	29-Jul-15	28-Aug-15														
Construction	3-Aug-15	31-Jul-16														
Occupy August 2016	1-Aug-16	20-Aug-16														

Estimated Monthly Construction Costs																	
		\$ 338,000	\$ 728,000	\$ 961,000	\$ 1,248,000	\$ 1,352,000	\$ 1,403,000	\$ 1,403,000	\$ 1,403,000	\$ 1,403,000	\$ 1,403,000	\$ 1,195,000	\$ 780,000	\$ 312,000			\$ 12,526,000
		3%	6%	8%	10%	11%	11%	11%	11%	11%	11%	10%	6%	2%			100%

Neff Construction Management Fees

Preconstruction Billed to Date		\$64,500																\$64,500
Preconstruction to be Billed			\$43,000															\$43,000
CM Fee + Superintendent				\$32,708	\$32,708	\$32,708	\$32,708	\$32,708	\$32,708	\$32,708	\$32,708	\$32,708	\$32,708	\$32,708	\$32,708			\$392,500
Subtotal CM Fees																		\$500,000

Combined Construction & CM Costs																		
		\$64,500	\$43,000	\$370,708	\$760,708	\$993,708	\$1,280,708	\$1,384,708	\$1,435,708	\$1,435,708	\$1,435,708	\$1,435,708	\$1,227,708	\$812,708	\$344,708			\$13,026,000
		1%	0.3%	3%	6%	8%	10%	11%	11%	11%	11%	11%	10%	6%	3%			103%

Magnolia Science Academy - Santa Ana**PROJECT COST SUMMARY**

Includes estimated cost from DSA plans, all approved VE items, no gym building but gym pad will be prepped and utilities stubbed for future construction, irrigation and grass planted on the future gym pad.

RC Construction Services Bid 7/21/15	\$12,526,000	
CM FEE:	\$500,000	includes Superintendent @ 50%
CONTINGENCY:	\$626,300	5.0%
TOTAL CONSTRUCTION COST:	\$13,652,300	

ARCHITECT'S FEE:	\$978,341	Architect to verify
UTILITY/STREET/SCE FEES:	\$100,000	Engineers Estimate \$72,625
TESTING & SPECIAL INSPECTION :	\$83,400	Average of quotes submitted
INSPECTION (resident IOR):	\$141,400	Average of quotes submitted
PLAN CHECK FEES:	\$34,003	Site Plan Review
DSA Fees	\$81,620	
FURNITURE AND EQUIPMENT:	\$375,780	3.00%
COC INSURANCE:	\$76,584	estimated
BID SETS, PUBLISHING, UPS	\$25,000	estimated
SOILS REPORTS:	\$12,500	estimated
SITE SURVEY:	\$5,000	estimated
DIR CMU program	\$0	N/A
HPI Fees	\$3,600	offset by rebates?
GCS Hazard Report	\$3,600	
TOTAL PROJECT COST:	\$15,573,128	

June 2, 2015

Ms. Caprice Young
Chief Executive Officer/Superintendent
Magnolia Public Schools
13950 Milton Avenue, Suite 200B
Westminster, CA 92683

Dear Ms. Young:

Congratulations! The Magnolia Science Academy Santa Ana, Office of Public School Construction (OPSC) Application Number 54/66670-00-003, received an Unfunded Approval by the State Allocation Board (SAB) on May 27, 2015. The approved SAB Agenda can be found on the OPSC website at the following address:

<http://www.dgs.ca.gov/opsc/aboutus/sab/archives.aspx>

To be eligible to receive a Funded Approval, the Charter School must participate in a Priority Funding certification round. A certification round is currently open from Wednesday, May 13, 2015, to Thursday June 11, 2015. Information on this process, including certification requirements, can be found on the OPSC website at the following address:

<http://www.dgs.ca.gov/opsc/Home/PriorityFunding.aspx>

Please make note of the following items:

Prevailing Wage Monitoring

Senate Bill 854, Chapter 28, Statutes of 2014 repealed Labor Code (LC) Section 1771.3 which required school districts and charter schools to provide payment to Department of Industrial Relations (DIR) for prevailing wage monitoring. As a result, school districts and charter schools awarding a construction contract on or after June 20, 2014 are not mandated to provide payment for DIR monitoring and enforcement of prevailing wage requirements. Projects with an initial public works contract awarded on or after June 20, 2014 are not eligible to receive an additional grant for prevailing wage monitoring; however, school districts and charter schools are still required to notify DIR within five days of initial contract award pursuant to LC section 1773.3(a)(1). If the Charter School does not notify DIR within the five day period, the project will be ineligible for funding.

Lease Lease-Back Construction Delivery Method

In order for a project to be eligible to receive funding under the School Facility Program and/or the Charter School Facilities Program, it must conform to the provisions of the Public Contract Code, which includes requirements related to the proper advertisement and bidding of a project. Only a school district has the authority to enter into a lease lease-back contract as authorized under Education Code (EC) 17406. Although Statute allows for charter schools to be considered school districts for some purposes, there is no such exception for EC 17406. Please be aware that if the Charter School enters into a lease lease-back contract, the project will be ineligible for funding.

Ms. Young

June 2, 2015

Occupancy Date

It is the responsibility of the Charter School to notify the OPSC and the California School Finance Authority when the project has been occupied. Repayment of the Charter School's loan will begin one year from the date of occupancy.

Should you have any questions, or would like to discuss the next steps for your project, please feel free to contact Erin Cunneen at (916) 375-4741, or erin.cunneen@dgs.ca.gov, or Karen Mandell at (916) 376-8959, or karen.mandell@dgs.ca.gov.

Sincerely,



ERIN CUNNEEN

Project Manager, Charter School Facilities Program
Office of Public School Construction

Priority Funding Request Acceptance List
As of June 11, 2015

County	School District	Application Number	Program	Approval	SAB Unfunded Approval	Financial Hardship Apportionment	Loan	State Share	Total Apportionment	Submitted Certification Letter May 2015
ALAMEDA	OAKLAND UNIFIED	54/61259-09-004	Charter	D	5/26/2010	0.00	38,340.00	38,340.00	76,680.00	
ALAMEDA	OAKLAND UNIFIED	54/61259-09-005	Charter	D	5/26/2010	0.00	127,808.60	127,808.60	255,617.20	
ALAMEDA	OAKLAND UNIFIED	57/61259-00-068	Modernization	G	2/24/2015	0.00	0.00	1,734,121.00	1,734,121.00	Yes
ALAMEDA	OAKLAND UNIFIED	57/61259-00-069	Modernization	G	2/24/2015	0.00	0.00	894,129.00	894,129.00	Yes
ALAMEDA	OAKLAND UNIFIED	54/61259-13-002	Charter	G	5/27/2015	0.00	0.00	13,244,493.00	13,244,493.00	Yes
BUTTE	CHICO UNIFIED	54/61424-00-004	Charter	D	4/15/2015	0.00	136,347.00	136,347.00	272,694.00	Yes
BUTTE	CHICO UNIFIED	54/61424-00-005	Charter	D	4/15/2015	0.00	88,626.60	88,626.60	177,253.20	Yes
CONTRA COSTA	PITTSBURG UNIFIED	59/61788-00-001	Career Tech Rehabilitation	G	3/12/2013	0.00	0.00	1,411,417.00	1,411,417.00	
CONTRA COSTA	SAN RAMON VALLEY UNIFIED	55/61804-00-006	Career Tech New Construction	G	10/26/2011	0.00	0.00	412,085.00	412,085.00	Yes
CONTRA COSTA	SAN RAMON VALLEY UNIFIED	55/61804-00-006	Career Tech New Construction	G	8/22/2012	0.00	0.00	515.00	515.00	Yes
CONTRA COSTA	WEST CONTRA COSTA UNIFIED	58/61796-00-002	Rehabilitation	G	2/24/2015	0.00	0.00	1,472,925.00	1,472,925.00	Yes
CONTRA COSTA	WEST CONTRA COSTA UNIFIED	58/61796-00-006	Rehabilitation	G	5/27/2015	0.00	0.00	313,204.00	313,204.00	
EL DORADO	EL DORADO UNION HIGH	59/61853-00-001	Career Tech Rehabilitation	G	10/6/2010	0.00	0.00	821,617.00	821,617.00	
EL DORADO	EL DORADO UNION HIGH	59/61853-00-001	Career Tech Rehabilitation	G	8/22/2012	0.00	0.00	1,027.00	1,027.00	
FRESNO	CLOVIS UNIFIED	57/62117-00-032	Modernization	G	2/24/2015	0.00	0.00	2,037,674.00	2,037,674.00	Yes
FRESNO	KINGS CANYON JOINT UNIFIED	55/62265-00-002	Career Tech New Construction	G	10/26/2011	0.00	0.00	3,000,000.00	3,000,000.00	Yes
KERN	KERN COUNTY OFFICE OF EDUCATI	55/10157-98-001	Career Tech New Construction	G	10/6/2010	0.00	0.00	723,600.00	723,600.00	
KERN	KERN HIGH	59/63529-00-024	Career Tech Rehabilitation	G	11/25/2013	0.00	0.00	629,141.00	629,141.00	Yes
KERN	KERN HIGH	59/63529-00-024	Career Tech Rehabilitation	G	5/28/2014	0.00	0.00	786.00	786.00	Yes
LOS ANGELES	BELLFLOWER UNIFIED	59/64303-00-003	Career Tech Rehabilitation	G	12/12/2012	0.00	0.00	76,990.00	76,990.00	
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-007	Overcrowding Relief Grant	G	1/23/2013	0.00	0.00	6,607,033.00	6,607,033.00	Yes
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-007	Overcrowding Relief Grant	G	3/20/2013	0.00	0.00	194,870.00	194,870.00	Yes
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-006	Overcrowding Relief Grant	G	1/23/2013	0.00	0.00	4,565,089.00	4,565,089.00	Yes
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-006	Overcrowding Relief Grant	G	3/20/2013	0.00	0.00	122,268.00	122,268.00	Yes
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-008	Overcrowding Relief Grant	G	1/23/2013	0.00	0.00	2,101,391.00	2,101,391.00	Yes
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-008	Overcrowding Relief Grant	G	3/20/2013	0.00	0.00	51,073.00	51,073.00	Yes
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-009	Overcrowding Relief Grant	G	1/23/2013	0.00	0.00	7,503,496.00	7,503,496.00	Yes
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-009	Overcrowding Relief Grant	G	3/20/2013	0.00	0.00	219,130.00	219,130.00	Yes
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-013	Overcrowding Relief Grant	G	7/14/2014	0.00	0.00	3,371,432.00	3,371,432.00	Yes
LOS ANGELES	GLENDALE UNIFIED	56/64568-00-013	Overcrowding Relief Grant	G	7/14/2014	0.00	0.00	324,582.00	324,582.00	Yes
LOS ANGELES	LOS ANGELES UNIFIED	54/64733-00-045	Charter	D	5/28/2008	0.00	937,182.80	937,182.80	1,874,365.60	
LOS ANGELES	LOS ANGELES UNIFIED	54/64733-00-045	Charter	S	5/28/2008	0.00	3,120,000.00	3,120,000.00	6,240,000.00	
LOS ANGELES	LOS ANGELES UNIFIED	55/64733-00-009	Career Tech New Construction	G	10/6/2010	0.00	0.00	1,774,734.00	1,774,734.00	Yes
LOS ANGELES	LOS ANGELES UNIFIED	55/64733-00-009	Career Tech New Construction	G	10/26/2011	0.00	0.00	1,225,266.00	1,225,266.00	Yes
LOS ANGELES	LOS ANGELES UNIFIED	56/64733-00-016	Overcrowding Relief Grant	G	6/26/2013	0.00	0.00	39,623,990.00	39,623,990.00	Yes
LOS ANGELES	LOS ANGELES UNIFIED	50/64733-00-015	New Construction	L	2/24/2015	0.00	0.00	60,160.00	60,160.00	N/A
LOS ANGELES	LOS ANGELES UNIFIED	50/64733-00-056	New Construction	L	2/24/2015	0.00	0.00	126,614.00	126,614.00	N/A
LOS ANGELES	LOS ANGELES UNIFIED	50/64733-00-105	New Construction	L	2/24/2015	0.00	0.00	2,942.00	2,942.00	N/A
LOS ANGELES	LOS ANGELES UNIFIED	50/64733-00-135	New Construction	L	2/24/2015	0.00	0.00	212,343.00	212,343.00	N/A
LOS ANGELES	LOS ANGELES UNIFIED	54/64733-00-055	Charter	G	4/15/2015	0.00	4,493,810.90	4,493,810.90	8,987,621.80	Yes
LOS ANGELES	LOS ANGELES UNIFIED	54/64733-00-047	Charter	G	4/15/2015	0.00	10,134,672.00	4,134,046.60	14,268,718.60	Yes
LOS ANGELES	LOS ANGELES UNIFIED	54/64733-00-055	Charter	G	5/27/2015	0.00	275,863.00	275,863.00	551,726.00	Yes
LOS ANGELES	SANTA MONICA-MALIBU UNIFIED	55/64980-00-001	Career Tech New Construction	G	10/16/2014	0.00	0.00	2,445,054.00	2,445,054.00	Yes
ORANGE	SANTA ANA UNIFIED	54/66670-00-003	Charter	G	5/27/2015	0.00	6,666,280.00	6,666,280.00	13,332,560.00	Yes
ORANGE	TUSTIN UNIFIED	50/73643-00-017	New Construction	G	2/24/2015	0.00	0.00	1,047,271.00	1,047,271.00	Yes
ORANGE	TUSTIN UNIFIED	50/73643-00-018	New Construction	G	2/24/2015	0.00	0.00	930,798.00	930,798.00	Yes
ORANGE	TUSTIN UNIFIED	50/73643-00-020	New Construction	G	2/24/2015	0.00	0.00	1,028,686.00	1,028,686.00	Yes
ORANGE	TUSTIN UNIFIED	50/73643-00-021	New Construction	G	2/24/2015	0.00	0.00	1,023,887.00	1,023,887.00	Yes
RIVERSIDE	DESERT SANDS UNIFIED	55/67058-00-005	Career Tech New Construction	G	10/6/2010	0.00	0.00	1,040,611.00	1,040,611.00	
RIVERSIDE	DESERT SANDS UNIFIED	55/67058-00-006	Career Tech New Construction	G	10/6/2010	0.00	0.00	2,666,732.00	2,666,732.00	Yes
RIVERSIDE	DESERT SANDS UNIFIED	55/67058-00-005	Career Tech New Construction	G	8/22/2012	0.00	0.00	1,301.00	1,301.00	
RIVERSIDE	DESERT SANDS UNIFIED	55/67058-00-006	Career Tech New Construction	G	8/22/2012	0.00	0.00	3,333.00	3,333.00	Yes
RIVERSIDE	DESERT SANDS UNIFIED	50/67058-00-021	New Construction	L	2/24/2015	0.00	0.00	4,674.00	4,674.00	N/A
SACRAMENTO	NATOMAS UNIFIED	54/75283-00-002	Charter	D	5/28/2008	0.00	87,187.90	87,187.90	174,375.80	
SACRAMENTO	TWIN RIVERS UNIFIED	54/76505-00-001	Charter	G	5/27/2015	0.00	2,898,895.33	1,895,475.87	4,794,371.20	Yes
SACRAMENTO	TWIN RIVERS UNIFIED	54/76505-00-004	Charter	G	5/27/2015	0.00	4,294,279.80	4,294,279.80	8,588,559.60	Yes
SACRAMENTO	TWIN RIVERS UNIFIED	54/76505-00-008	Charter	G	5/27/2015	0.00	2,846,318.60	2,846,318.60	5,692,637.20	Yes
SACRAMENTO	TWIN RIVERS UNIFIED	51/76505-00-002	Facility Hardship	G	5/27/2015	0.00	0.00	3,547,831.00	3,547,831.00	Yes
SAN BERNARDINO	COLTON-REDLANDS-YUCAIPA ROP	59/74138-00-015	Career Tech Rehabilitation	G	10/26/2011	0.00	0.00	2,050.00	2,050.00	
SAN BERNARDINO	HESPERIA UNIFIED	50/75044-00-025	New Construction	L	2/24/2015	0.00	0.00	234,518.00	234,518.00	N/A
SAN BERNARDINO	RIALTO UNIFIED	58/67850-00-001	Rehabilitation	G	2/24/2015	0.00	0.00	2,905,285.00	2,905,285.00	Yes
SAN BERNARDINO	SNOWLINE JOINT UNIFIED	55/73957-00-001	Career Tech New Construction	G	10/6/2010	0.00	0.00	1,093,051.00	1,093,051.00	

Priority Funding Request Acceptance List
As of June 11, 2015

County	School District	Application Number	Program	Approval	SAB Unfunded Approval	Financial Hardship Apportionment	Loan	State Share	Total Apportionment	Submitted Certification Letter May 2015
SAN BERNARDINO	SNOWLINE JOINT UNIFIED	55/73957-00-002	Career Tech New Construction	G	10/6/2010	0.00	0.00	1,031,968.00	1,031,968.00	
SAN DIEGO	SAN DIEGO UNIFIED	59/68338-00-005	Career Tech Rehabilitation	G	5/22/2013	0.00	0.00	539,214.00	539,214.00	Yes
SAN JOAQUIN	STOCKTON UNIFIED	55/68676-00-002	Career Tech New Construction	G	10/26/2011	0.00	0.00	3,000,000.00	3,000,000.00	
SAN JOAQUIN	STOCKTON UNIFIED	57/68676-00-033	Modernization	G	2/24/2015	0.00	0.00	8,266,511.00	8,266,511.00	Yes
SAN JOAQUIN	TRACY JOINT UNIFIED	54/75499-00-003	Charter	D	4/15/2015	0.00	0.00	246,799.60	246,799.60	Yes
SAN JOAQUIN	TRACY JOINT UNIFIED	54/75499-00-004	Charter	D	4/15/2015	0.00	0.00	194,721.70	194,721.70	Yes
SAN MATEO	SEQUOIA UNION HIGH	55/69062-00-001	Career Tech New Construction	G	10/16/2014	0.00	0.00	1,590,942.46	1,590,942.46	
SANTA BARBARA	SANTA BARBARA UNIFIED	58/76786-00-001	Rehabilitation	G	4/15/2015	0.00	0.00	154,098.00	154,098.00	Yes
SANTA CLARA	ALUM ROCK UNION ELEMENTARY	54/69369-00-002	Charter	D	4/15/2015	0.00	440,359.70	440,359.70	880,719.40	Yes
SANTA CLARA	LOS GATOS UNION ELEMENTARY	51/69526-00-001	Facility Hardship	G	4/15/2015	0.00	0.00	3,908,780.00	3,908,780.00	Yes
SISKIYOU	SISKIYOU UNION HIGH	55/70466-00-002	Career Tech New Construction	G	10/6/2010	0.00	0.00	296,772.00	296,772.00	
SISKIYOU	SISKIYOU UNION HIGH	59/70466-00-001	Career Tech Rehabilitation	G	10/6/2010	0.00	0.00	143,380.00	143,380.00	
SONOMA	SANTA ROSA HIGH	54/70920-00-002	Charter	G	4/15/2015	0.00	5,780,767.90	5,780,767.90	11,561,535.80	Yes
SONOMA	SANTA ROSA HIGH	54/70920-00-004	Charter	D	4/15/2015	0.00	511,492.50	511,492.50	1,022,985.00	Yes
SONOMA	SANTA ROSA HIGH	54/70920-00-003	Charter	D	4/15/2015	0.00	35,458.60	35,458.60	70,917.20	Yes
SUTTER	YUBA CITY UNIFIED	59/71464-00-001	Career Tech Rehabilitation	G	10/26/2011	0.00	0.00	839,622.00	839,622.00	Yes
SUTTER	YUBA CITY UNIFIED	59/71464-00-001	Career Tech Rehabilitation	G	8/22/2012	0.00	0.00	1,050.00	1,050.00	Yes

**Magnolia Pacific Technology School
PROJECT COST SUMMARY**

11/4/2013

Includes estimated cost from DSA submitted plans, all approved VE items,
no gym building but gym pad will be prepped and utilities stubbed for future
construction, and irrigation and grass planted on the future gym pad.

CURRENT ESTIMATED SUM OF TRADES	\$10,511,323	
ANTICIPATED ESCALATION:	\$315,340	3.00%
CONTRACTOR GENERAL CONDITIONS:	\$525,566	5.00%
CONTRACTOR O&P, etc.:	\$551,844	5.00%
ESTIMATED GC PRICE:	\$11,904,073	

CM FEE:	\$500,000	includes Superintendent 50%
CONTINGENCY:	\$525,566	5.00%

TOTAL CONSTRUCTION COST: (sf)	\$12,929,639	
ARCHITECT'S FEE:	\$978,341	Architect to verify
UTILITY/STREET/SCE FEES:	\$100,000	Eng. est. \$72,625
TESTING & SPECIAL INSPECTION:	\$105,113	estimated 1%
INSPECTION (resident IOR):	\$157,670	estimated 1.5%
PORT. KITCHEN COST-2 YR,	\$39,529	incl. util. hookup
PLAN CHECK FEES:	\$34,003	Site Plan Review
DSA Fees	\$81,620	
FURNITURE AND EQUIPMENT:	\$357,122	3.00%
COC INSURANCE:	\$76,584	estimated
BID SETS, PUBLISHING, UPS	\$25,000	estimated
SOILS REPORTS:	\$12,500	estimated
SITE SURVEY:	\$5,000	estimated
DIR CMU program	\$29,760	0.25%
HPI Fees	\$3,600	offset by rebates?
GCS Hazard Report	\$3,600	
TOTAL PROJECT COST:	\$14,939,082	

**MAGNOLIA PACIFIC TECHNOLOGY SCHOOL
VALUE ENGINEERING ITEMS**

11/4/2013

ITEM DESCRIPTION	STATUS	BID ALT?	TRADE SAVINGS	CALCULATION
SITE				
Delete colored concrete, use natural grey	Y	N	\$ 18,746	2,678 s.f. @ \$7.00
Delete concrete benches, use Steel Craft	Y	N	\$ 28,000	16 @ \$1,750 ea.
Delete diagonal flatwork score pattern.	N	N	\$ -	\$ 8,038.00
Thin & downsize shrubs, reduce tree sizes	Y	N	\$ 50,750	
Delete two shade shelters	Y	N	\$ 62,500	
Total Site			\$ 159,996	
CLASSROOM BUILDING				
Change T-bar to 2x4 2nd Look, 15/16" grid	Y	N	\$ 143,046	43,476 sf @ \$3.29
Eliminate lobby Feature Wall/Ceiling	Y	Y	\$ 104,715	quote
Drywall lids at Storage, IT, Elect. to struct.	Y	N	\$ 4,350	1,875 sf @ \$2.32
Eliminate LVT pattern at 2nd floor corridor	Y	Y	\$ 16,782	1,918 sf @ \$8.75
Delete all LVT; use VCT instead	Y	Y	\$ 36,971	14,931 sf @ \$2.48
Delete polished concrete, use VCT	Y	Y	\$ 54,922	14,646 sf @ \$3.75
Delete lobby wall coverings; 2 locations	Y	Y	\$ 44,352	2,016 sf @ \$20
Vinyl covered tackboard in lieu of Forbo	Y	N	\$ 35,112	5,016 sf @ \$7.00
Delete metal panels at exterior; use plaster	Y	N	\$ 157,080	4,760 s.f. @ \$33.00
Delete accent carpet tile	N	N	\$ -	\$ 5,832.00
Delete rubber/cork tile, use VCT	N	N	\$ -	\$ 8,465.00
Delete lobby floor graphics	Y	Y	\$ 60,027	estimate
Delete accent wall painting	N	N	\$ -	\$ 10,906.00
5' wainscot at CT walls in lieu of 7'	Y	N	\$ 10,263	821 sf @ \$12.50
Identify 3 acceptable manufacturers	Y	N	\$ 95,992	15% equipment cost
Delete North window coverings	Y	N	\$ 9,720	36%
Reduce window sizes to allow use of wire glass.	Y	N	\$ 88,257	Firelite @ \$135/s.f.; wire glass at \$41/s.f.
Delete 1 Operable Wall	Y	N	\$ 28,000	1 ea. X \$28,000
Delete Solatubes	N	N	\$ -	\$ 7,107.00
Delete requirement for PVC coated rigid	Y	N	\$ 11,000	quote
Use shared neutral, reduce home runs	Y	N	\$ 35,000	estimate
Delete Access Control	N	N	\$ -	\$ 28,000.00
Delete Extron PoleVault	Y	N	\$ 359,950	34 rms @ \$10,587 ea.
Add AV Allowance	Y	N	\$ (102,000)	\$3,000/ room
Total CR Bldg.			\$ 1,193,539	
TOTAL SITE AND BUILDING VE			\$ 1,353,535	

Y-Yes
N-No
P-Pending

**Magnolia Educational Research Foundation
Magnolia Pacific Technology School**

**Bids Opened Thursday,
Sept. 18, 2014 @ 2:00 p.m.**

Category	Company	Base Bid
30 - Multiple Trades	AMG & Associates, Inc.	11,922,000
	W.D. Gott Construction Co.	12,147,000
	T.B. Penick & Sons, Inc.	12,198,600
	Parkwest Construction Company	12,397,000
	Intertex General Contractors, Inc.	12,833,000
	Morillo Construction, Inc.	15,777,000

**Magnolia Educational Research Foundation
Magnolia Pacific Technology School**

**Bids Opened Thursday,
Sept. 18, 2014 @ 2:00 p.m.**

Category	Company	Base Bid
30 - Multiple Trades	AMG & Associates, Inc.	11,922,000

**CHARTER SCHOOL FACILITIES PROGRAM
2011 LOTTERY FUNDING ROUND
STAFF SUMMARY REPORT – MAY 2015**

Applicant/Obligor:	Magnolia Educational and Research Foundation
Project School:	Magnolia Science Academy – Santa Ana
CDS (County – District – School) Code:	09-76596-0119537
Proposed Project Location:	2840 W First Street, Santa Ana, CA
Project Type:	New Construction
County:	Orange
District in which Project is Located:	San Ana Unified School District
Charter Authorizer:	California State Board of Education
Total OPSC Project Cost:	\$17,413,956
State Apportionment (50% Project Cost):	\$8,706,978
Lump Sum Contribution:	\$0
Total CSFP Financed Amount:	\$8,706,978
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$521,674
First Year of Occupancy of New Project:	2016-17

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that the Magnolia Educational and Research Foundation (MERF), applying on behalf of Magnolia Science Academy – Santa Ana (MSA-SA) formerly Pacific Technology School – Santa Ana, is financially sound for purposes of the 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 recommendation is contingent upon MERF electing 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: In June 2011, MERF requested for an advance of \$4,081,395 for Site Acquisition and Design on behalf of MSA-SA (formerly known as Pacific Technology School – Santa Ana) under the Program’s 2011 Lottery Funding Round. MERF received preliminary apportionment for Magnolia Science Academy – San Diego in the amount of \$3,036,122. MERF, on behalf of MSA-SA, is now requesting Final Apportionment. As MERF is the applicant and financial obligor, a discussion of the broader issues with MERF’s financial soundness is included in this report.

Application Highlights: Below staff has highlighted key criteria that was evaluated when conducting the financial soundness review of MERF and MSA-SA. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	MSA-SA have met all Program eligibility criteria: 1) charter in place; 2) MSA-SA has been in operation for at least two years and 3) MSA-SA is in compliance with the terms of their charter and in good standing with their chartering entity.
Demographic Information	<ol style="list-style-type: none"> 1. MSA-SA currently serves 160 students in grades 6-12 in 2014-15. The CSFP project will have capacity for approximately 1,000 students in grades K-12 by 2018-19. Staff notes the aggressive enrollment projections and stress tested the affordability of the project if lower enrollment occurs. 2. MERF currently operates 11 schools with total enrollment of 3,740. Enrollment has grown from 2,608 students in 2010-11. MERF achieved a strong aggregate ADA rate of 97% from 2012-13 through 2014-15.
Debt Service Coverage	MERF's projected debt service coverage ratios of 1,054% in 2017-18 and 1,121% in 2018-19 exceed the minimum requirement of 100.0% by a wide margin. However, MERF's ability to meet the minimum debt service coverage is highly dependent on MERF realizing projected enrollment at existing schools (5,040 students by 2017-18 and 5,480 students in 2018-19). MERF's enrollment must be approximately 4,700 students in 2017-18 and 2018-19 to generate projected debt service coverage of at least 100.0%.
Other Financial Factors	<ol style="list-style-type: none"> 1. MERF has a relatively small reliance on contributions from private sources. Contributions are projected to constitute only 2% of revenues in 2017-18 and 2018-19. 2. The CSFP payment along with MERF's other projected facilities costs would represent 6% of projected revenues during the first two years of the CSFP payment. 3. Net working capital for 2013-14 of \$7.99 million represented 29.5% of total expenses, which exceeds the preferred minimum of 5.0%.
Student Performance	MSA-SA did not meet all AYP in 2012-13 but has shown gradual improvement in API growth scores, achieving scores of 777, 839, and 850 for 2010-11 through 2012-13, respectively.

Program Eligibility: On October 16, 2014, staff received verification from the California State Board of Education (SBE), MSA-SA charter authorizer, confirming that MSA-SA is: 1) in compliance with the terms of its charter agreement, and 2) is in good standing with its chartering authority. MSA-SA's initial charter was approved on March 12, 2009, was renewed on July 9, 2014, and is effective through June 30, 2019. MSA-SA commenced instructional operations in 2009-10.

Legal Status Questionnaire: Staff reviewed the response to the questions contained in the Legal Status Questionnaire (LSQ) for MSA-SA. MERF answered "Yes" to a LSQ question(s). CSFA staff and counsel have reviewed the facts surrounding the disclosure(s) and have determined that the potential liability does not impact the organization's ability to make its CSFP payments should MERF be granted an apportionment nor a determination of financial soundness.

Project Description: MSA-SA is proposing new construction of a facility at 2840 West 1st Street, Santa Ana, involving construction of a brand new school structure. The new facility will consist of one building housing 29-33 classrooms, and is anticipated for completion for the 2016-17 school year. The school is anticipated to have capacity for 1,020 students in grades K-12. MSA-SA was given a preliminary apportionment of \$17,413,956 of which \$4,081,395 was provided for site acquisition in June 2011.

Organization Information: MSA-SA commenced instructional operations in 2009-10 with 63 students in grades 6 through 8, currently has an enrollment of 160 students in grades 6 through 12, and anticipates expansion to grades K-12. MSA-SA operates as an independent charter school under the auspices of MERF, an educational management organization (EMO) (described below). Through its management staff and Board of Directors, MERF is largely responsible for developing MSA-SA's curriculum, educational priorities, and policies, as well as overseeing the day-to-day operations of the school in conjunction with the school's principal.

Charter Management Organization: Magnolia Educational and Research Foundation is a non-profit organization founded in 1997, becoming a 501(c)(3) entity in 1998. MERF established itself as an organization to provide tutoring prior to establishing its first charter school, Magnolia Science Academy, in 2002. Altogether, MERF oversees eleven charter schools. Eight of the schools, including MSA-1, MSA-2, MSA-3, MSA-4, MSA-5, MSA-6, MSA-7, and MSA-Bell operate in Los Angeles County with LAUSD as the charter authorizer. Among the three schools that operate outside of Los Angeles County, MSA-SD (San Diego County) is authorized by the San Diego Unified School District, MSA-Santa Clara (Santa Clara County) is authorized by the Santa Clara County Office of Education, and MSA-SA (Orange County) is authorized by the State Board of Education.

MERF's educational philosophy and mission are to serve students in grades K-12 by: (1) preparing students to become responsible, educated citizens who have the skills and understanding to participate and work productively in a diverse, multicultural, globally oriented environment; (2) providing a sound educational plan with emphasis on math, science and technology; and (3) providing a rigorous, innovative, and challenging enhanced curriculum with a focus on preparing students to attend the universities of their choice. The prospective student population will likely represent the demographics of the local communities in which the students reside, which are primarily in the metropolitan areas of Los Angeles, and other metropolitan areas throughout the state. MERF specifically targets low-achieving students, English language learners, and students coming from socio-economically disadvantaged families.

Management Experience: The resumes of the school's personnel and the management team demonstrate professional, experienced and qualified individuals serving in key capacities within the organization, as described below.

CMO Management: MERF recently came under public scrutiny, specifically with audits having been performed by the LAUSD Office of the Inspector General and the Joint Legislative Audit Committee (JLAC). Given the findings in the LAUSD audit, LAUSD as the charter authorizer to numerous MERF schools attempted to revoke three MERF charters up for renewal. The LAUSD audit implied MERF had misappropriated public of funds and was on the verge of insolvency. MERF filed a lawsuit against LAUSD to maintain its charters. A subsequent JLAC audit found that LAUSD prematurely moved to revoke MERF charters and did not find sufficient evidence to support the misappropriated public of funds and insolvency claims, rather a lack of certain key financial procedures and policies

that led to questionable MERF expenditures. MERF and LAUSD settled the lawsuit in March 2015 and LAUSD subsequently renewed the three MERF charters.

MERF management has had changes in key positions with a new Chief Executive Officer, Chief Financial Officer and Chief Academic Officer. However, Staff views the changes in management as a positive development for MERF and will allow management to be less reliant on outsourced back-office operators and consultants. As part of the lawsuit settlement with LAUSD, MERF agreed to limit its involvement with the former back-office provider Accord Institute. Going forward, seven new committees have been established by MERF management (Finance, Audit, Governance, Personnel, Academics, Facilities, and Community) to ensure MERF is taking proper measures to preserve liquidity and implementing conservative planning for future growth.

Dr. Caprice Young serves as MERF's Chief Executive Officer. Dr. Young has an extensive history of improving operations at CMOs. She played an integral role in in acquiring charter renewals from LAUSD and bringing stability to MERF's operations. Prior to this role, Dr. Young served in a similar capacity to the Inner City Education Foundation. Dr. Young served as Executive Director of the California Charter School Association from 2003 to 2008. Dr. Young holds an Ed.D. from the University of California Los Angeles, an M.P.A. from University of Southern California, and a B.A. from Yale University, among other various other credentials.

Michelle Hurst-Crumpton serves as MERF's Chief Academic Officer and brings experience from charter and public school management in several states. Prior to this position, she was Assistant Head of School at St. James Episcopal School (2013-2014) and Chief of School Administration & Chief Operating Officer at Algiers Charter School Association (2009-2012). She received a B.S. in Education Administration and a Master of Arts in Curriculum and Instruction from the University of Phoenix, AZ.

Mr. Oswaldo Diaz has served as the CFO of MERF since 2014 and has over 20 years experience in accounting and operations management. Prior to this position, Mr. Diaz served as the Accounting Manager for Nova Academy Charters Schools / Olive Crest (2011-2014). Mr. Diaz holds a B.A. in Accounting from the Universidad Iberoamericana in Mexico City, Mexico and a School Business Management Certificate from the University of Southern California.

Kenya Jackson, the Deputy Chief Academic Officer, will serve as Principal of MSA-SA starting in June 2015. She will be replacing Alberto Ramirez on an interim basis.

Board Experience: MSA-SA are governed by the MERF Board of Directors, which is comprised of the members set forth in the table below.

Name	Occupation	Term Expiration
Umit Yapanel, Board President	Project Engineer at Audience, Inc.	2017
Saken Sherkhanov, Secretary	Ph.D. Candidate at UCLA (Chemistry and Biochemistry)	2018
Mustafa Kaynak, Member	Electronics Engineer	2017
Diane R. Gonzalez, Member	Community Relations	2018
Nguyen Huynh	Real Estate Finance	2016
Remzi Oten	Business (Tech CEO)	2018
Noel Russel-Uterburger	Comptroller, Independent Contractor	2017

Management Experience for Schools Open Less than Two Years: Not applicable. MERF, as CMO to MSA-SA, has over two years of charter school management experience, and MERF has been involved in the oversight of instructional operations of MSA-SA since its inception in 2009-10.

Student Performance: Pursuant to SB X51 (2010), a designated California State Commission was given the authority to review the Common Core State Standards (Standards), as promulgated by the U.S. Department of Education, and make recommendations to the California Board of Education (Board). This resulted in the Board's adoption of the Standards for purposes of statewide accountability on academic performance. Although this adoption does not directly require all local educational agencies (LEAs) to adopt the standards, pursuant to Education Code, Sections 52060 through 52077, in order for districts to receive funding through LCFF, school districts must submit "Local Control and Accountability Plans (LCAPs) to their respective county offices of education that address State and local educational priorities, and pursuant to Education Code, Section 52060(d)(2), these priorities must include Common Core State Standards.

Assessments based on the Standards are derived from the "Smarter Balanced Assessment System," a test that is planned for initial implementation in spring 2015 for purposes of establishing a baseline for comparing academic performance between schools, and subsequent improvement. As such, the standards do not currently provide metrics for comparing academic performance between schools.

It is noteworthy that as a result of the change to Common Core Standards, CDE's Accountability Progress Reporting has significantly changed. Among the changes are that Growth Academic Performance Index (API) reporting has been temporarily suspended, API rankings will no longer be reported, and Adequate Yearly Progress (AYP) reporting pursuant the No Child Left Behind Act of 2001 is currently limited to public high schools receiving Title 1 funding when they meet specific enrollment criteria. As such, student performance information for purposes of determination financial soundness is limited to API and AYP up until 2012-13 with the exception of specific high schools receiving Title 1 funding. Nonetheless, because of its implications for student enrollment stability and growth, and because staff views student performance as a leading indicator of a charter school's financial position, staff continues to evaluate student performance for purposes of financial soundness, with the limitation of reporting only through 2012-13 at this time.

MSA-SA has four years of reported API and AYP results, allowing staff to assess MSA-SA's academic improvement, as highlighted in the following table.

Magnolia Science Academy - Santa Ana	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	No	Yes	No
Criteria Met / Required Criteria	5 / 5	4 / 5	13 / 13	8 / 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?	N/A	No	Yes	Yes
Met Comparable Improvement Growth Target?	N/A	Yes	Yes	Yes
Met Both Schoolwide & CI Growth Targets?	N/A	No	Yes	Yes
API Base Statewide Rank (10 = best)	N/A	8	5	7
API Base Similar Schools Rank (10 = best)	N/A	N/A	N/A	7
School's Actual Growth	N/A	-70	62	12
Similar Schools Median of Actual Growth	N/A	N/A	N/A	N/A
Did School's Growth Exceed Median?	N/A	N/A	N/A	N/A

MSA-SA did not meet all AYP criteria for two of the past four years. However, MSA-SA has met its API growth target during the past two years with an API growth score of 839 in 2011-12 and 850 in 2012-13. Based on its API base scores for 2012-13 and 2013-14, MSA-SA has achieved Statewide and Similar Schools rankings of “7” and “7”, and “8” and “10” (not in table), respectively. Overall, staff considers MSA-SA's academic performance to be supportive of a recommendation for financial soundness.

Staff also reviewed the historical academic performance data that was available for the eleven MERF schools operating during 2013-14, as shown in the tables below. Within these tables, a blank cell denotes that either the data is not available or the school was not yet opened.

MERF API Growth Scores / Met Schoolwide API Growth Target				
	2009-10	2010-11	2011-12	2012-13
MSA-1	800 / Yes	807 / Yes	805 / Yes	797 / No
MSA-2	745 / Yes	759 / Yes	758 / No	765 / No
MSA-3	777 / Yes	754 / No	785 / Yes	748 / No
MSA-4	753 / Yes	794 / Yes	766 / No	761 / No
MSA-5	847 / Yes	786 / No	843 / Yes	759 / No
MSA-6	842 / na	817 / Yes	843 / Yes	828 / Yes
MSA-7	-	855 / na	906 / Yes	904 / Yes
MSA-Bell	-	650 / na	713 / Yes	763 / Yes
MSA-SD	818 / Yes	814 / Yes	865 / Yes	847 / Yes
MSA-SA	852 / na	777 / No	858 / Yes	850 / Yes
MSA-SC	-	841 / na	895 / Yes	904 / Yes

With respect to API growth, for the most recent reported year in 2012-13, five of the 12 schools achieved scores of greater than 800 with none of the schools scoring below 700, and 6 of the 12 schools met their Schoolwide API growth target.

MERF API Base Rank: Statewide / Similar Schools				
	2009-10	2010-11	2011-12	2012-13
MSA-1	7 / 10	8 / 10	8 / 10	8 / 10
MSA-2	3 / 3	4 / 8	5 / 9	4 / 5
MSA-3	5 / 7	6 / 10	6 / 10	8 / 10
MSA-4	5 / NA	5 / NA	6 / 10	4 / 5
MSA-5	8 / NA	8 / 10	6 / 9	7 / 10
MSA-6	-	8 / NA	7 / 6	7 / 8
MSA-7	-	-	8 / NA	9 / NA
MSA-Bell	-	-	1 / 1	2 / 2
MSA-SD	7 / 2	7 / 4	7 / 5	8 / 6
MSA-SA	-	8 / NA	5 / NA	7 / 7
MSA-SC	-	-	9 / NA	9 / 4

As shown in the table above regarding MERF's statewide and similar schools rankings (base API scores), during the past four reported years, 2009-10 through 2012-13, the majority of schools had statewide and similar schools rankings of "5" or greater. During 2012-13, seven of 11 of applicable schools had statewide and similar schools rankings of "5" or greater. Only MSA-8 Bell, reflected substandard rankings in both statewide and against similar schools.

MERF Met All AYP Criteria				
	2009-10	2010-11	2011-12	2012-13
MSA-1	No	No	No	No
MSA-2	No	No	No	No
MSA-3	No	No	No	No
MSA-4	No	Yes	Yes	No
MSA-5	No	No	No	No
MSA-6	Yes	No	No	No
MSA-7	-	Yes	Yes	No
MSA-Bell	-	No	No	No
MSA-SD	No	No	Yes	No
MSA-SA	Yes	No	Yes	No
MSA-SC	-	Yes	Yes	No

Due to the increasingly difficult task of meeting all AYP criteria over successive years, among the 11 schools that were in operations for 2012-13, none of the schools met all AYP criteria and five met all AYP criteria during the previous year, 2011-12.

Overall, staff considers MERF's academic performance to be supportive of a recommendation for financial soundness.

Enrollment and Retention Rates: MSA-SA commenced operations with 63 students in grades 6 through 8 in 2009-10, and has since grown to 160 students in 2014-15. MERF is projecting MSA-SA's enrollment to grow substantially to 620 in 2016-17 (first year of project occupancy) and to 800 and 1,020 for the first two years of CSFP payments. For the past three years, 2012-13 through 2014-15, MSA-SA has shown retention rates of 82%, 92%, and 80%, respectively. For 2013-14 and 2014-15, MSA-SA, had average daily attendance (ADA) rates of approximately 95% and 98%, respectively.

MERF Enrollment and Retention Rates: The following table depict MERF’s historical, current, and projected enrollment by school (through 2018-19). Note that the enrollment projections below do not include any additional new schools.

Magnolia Educational & Research Foundation									
School	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
MSA-1	499	521	488	538	530	540	540	540	540
MSA-2	227	300	380	440	459	495	495	495	495
MSA-3	257	293	379	426	452	475	500	500	500
MSA-4	105	159	194	202	234	220	270	320	360
MSA-5	156	211	239	240	106	170	250	320	400
MSA-6	168	154	136	137	160	180	220	250	280
MSA-7	96	121	233	301	295	316	330	350	360
MSA-8	441	481	495	497	489	495	495	495	495
MSA-SD	308	309	335	355	371	438	450	450	450
MSA-SC	102	230	525	489	484	420	470	520	580
PTS-OV*	151	152	138	-	-	-	-	-	-
MSA-SA	98	145	145	176	160	250	620	800	1,020
Total	2,608	3,076	3,687	3,801	3,740	3,999	4,640	5,040	5,480

*ceased operations on June 30, 2013

MERF has achieved consistent enrollment growth from 188 students in one school (MSA-1) in 2002-03, to 695 students in three schools in 2007-08, and to 1,202 students in six schools in 2008-09. MERF has grown to 11 schools serving 3,740 students in 2014-15. In addition, MERF has achieved overall ADA rates of 97% for 2012-13 through 2014-15, respectively.

For the 11 schools currently in operation, MERF is projecting the following enrollment growth: 3,999 students for 2015-16 (7% growth from prior year), 4,640 for 2016-17 (16% growth from prior year), 5,040 for 2017-18 (9% growth from prior year), and 5,480 for 2018-19 (6% growth from prior year).

Aggressive Enrollment Assumptions: As previously noted, MERF anticipates substantial enrollment growth from 2014-15 to 2018-19, with enrollment projected to increase to 5,480 from 3,740. MERF’s financial soundness review in March 2012 also included aggressive enrollment assumptions, indicating enrollment reaching 7,064 students by 2014-15. Due to the challenges that faced MERF over recent years discussed in the “CMO Management”, MERF has not materially increased enrollment over the past two years. However, the current MERF management team has provided Staff with information supporting the current enrollment projections. The majority of enrollment growth is based on the anticipated growth of student population at MSA-SA following the completion of the CSFP facility. MERF staff notes that the MSA-SA CSFP facility will be located in a high demand area and plans to rapidly add grades and students through 2018-19. In the section “Projected Debt Service Coverage of CSFP Payments”, we provide an analysis that estimates the amount of student enrollment necessary for MERF to maintain the minimum debt service coverage requirement of 100% in 2017-18 and 2018-19.

With respect to the year-to-year retention rates for the most recent year, five of the 11 schools with returning students showed retention rates of 90% or more, and seven of the 11 schools showed retention rates of 85% or more, with all rates averaging 84%. MSA-5, the school with lowest retention rate in 2014-15, moved to another location and essentially had to begin enrollment of new students in middle school while forfeiting the 83 high school students it previously served. Enrollment plans

to grow at MSA-5 as the school adds grades in each subsequent year until grades 6 through 12 are served again.

Overall, staff considers MERF’s enrollment to be supportive of a recommendation for financial soundness.

Financial Analysis: Staff’s evaluation of MERF’s financial performance is based on review of the following documents: MERF’s audited financial statements for 2010-11 through 2013-14 and financial projections for 2014-15 through 2018-19.

Staff’s evaluation of MERF’s financial status is based on the following assumptions: (1) enrollment described above under “MERF Enrollment and Retention Rates”; (2) projected ADA rates of 97.0% for 2015-16 through 2018-19; (3) 2014-15 LCFF Entitlement funding rates of \$7,369 for grades K-12; (4) average LCFF per ADA rates of \$8,065, \$8,551, \$8,926, and \$9,074 for 2015-16 through 2018-19, incorporating COLA’s of 1.58%, 2.10%, 2.50%, and 2.70% in these years, respectively. The projections assume GAP funding of 32%, 11%, 13% and 13% in the projected years. (5) Expense categories including salaries and benefits show annual increases between 2-3%.

Highlighted in this section are financial data and credit indicators used to evaluate MERF’s ability to meet its CSFP obligations for its projects funded by Propositions 1D. Staff’s financial analysis is based on information for MERF as an organization and not for each applicant school on a stand-alone basis. Please note that the revenue, expenditure and changes to net assets recorded in financial audits and provided in MERF’s financial projections have been modified by staff, where necessary, to include capital outlays, operating leases and repayment of debt and other significant obligations, and to exclude non-cash items such as depreciation.

Magnolia Education & Research Foundation	Actual FY 2012/13	Actual FY 2013/14	Budget FY 2014/15	Projected FY 2015/16	Projected FY 2016/17	Projected FY 2017/18	Projected FY 2018/19
ENROLLMENT PROJECTIONS							
Enrollment	3,687	3,801	3,740	3,999	4,640	5,040	5,480
Average Daily Attendance	3,542	3,654	3,655	3,879	4,501	4,889	5,316
Average Daily Attendance (%)	96%	96%	98%	97%	97%	97%	97%
FINANCIAL PROJECTIONS							
Total Revenues Available for CSFP Payment	\$ 30,647,516	\$ 32,298,679	\$ 33,590,537	\$ 37,781,249	\$ 44,320,773	\$ 48,070,841	\$ 52,182,894
Total Expenses Paid Before CSFP Payment	26,874,132	27,026,957	31,550,541	33,624,344	39,552,384	42,982,886	46,743,730
Accounting Adjustments	260,530	327,475	281,000	410,946	410,947	410,946	410,949
Net Revenues Available for CSFP Payment	\$ 4,033,914	\$ 5,599,197	\$ 2,320,996	\$ 4,567,851	\$ 5,179,336	\$ 5,498,901	\$ 5,850,113
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 521,674	\$ 521,674
Net Revenues After CSFP Payment	\$ 4,033,914	\$ 5,599,197	\$ 2,320,996	\$ 4,567,851	\$ 5,179,336	\$ 4,977,227	\$ 5,328,439
FINANCIAL INDICATORS							
Net Revenues Available for CSFP Payment	\$ 4,033,914	\$ 5,599,197	\$ 2,320,996	\$ 4,567,851	\$ 5,179,336	\$ 5,498,901	\$ 5,850,113
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	1054.1%	1121.4%
Contributions	\$ 1,024,663	\$ 130,089	\$ 699,478	\$ 829,000	\$ 941,920	\$ 1,013,040	\$ 1,134,360
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	859.9%	904.0%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	1.1%	1.0%
Contributions / Revenues	3.3%	0.4%	2.1%	2.2%	2.1%	2.1%	2.2%
Net Revenues After CSFP Payment / Revenues	13.2%	17.3%	6.9%	12.1%	11.7%	10.4%	10.2%
Revenues / ADA	\$ 8,652	\$ 8,839	\$ 9,191	\$ 9,740	\$ 9,847	\$ 9,833	\$ 9,817
Expenses / ADA	\$ 7,587	\$ 7,396	\$ 8,633	\$ 8,668	\$ 8,788	\$ 8,899	\$ 8,892
Surplus (Deficit) / ADA	\$ 1,065	\$ 1,443	\$ 558	\$ 1,072	\$ 1,059	\$ 934	\$ 925
Net Working Capital	\$ 3,355,194	\$ 7,986,255					
Net Working Capital / Expenses	12.5%	29.5%					

Contributions: MERF’s contributions over the last three years were as follows: \$406,491 for 2011-12, \$1.02 million for 2012-13, and \$130,089. MERF anticipates notably higher contributions in

budgeted and projected years, ranging between \$800,000 and \$1.1 million in contributions annually. Staff notes that projected contribution levels are optimistic given the historical trend.

Long-Term Liabilities: At June 30, 2014, MERF had outstanding long-term debt of \$2.45 million. These debt obligations took the forms of six California Department of Education loans totaling approximately \$255,000, with interest rates ranging from 0.24% to 0.54%; and \$2.2 million in CSFP obligations.

School Facilities –The facility costs consist of leases (Prop 39 and Regular), and expected payments to CSFA for the funding agreements pursuant to Proposition 1D. MERF’s CSFP payments will account for the facility costs of two schools: MSA-SA - \$444,224, and MSA-SD - \$77,450.

MERF leases land and buildings for an administrative office in Westminster and leases land and buildings in Los Angeles County, Orange County, San Diego County, and Santa Clara County under various operating leases. The aggregate lease payments required under the terms of their operating leases were \$2.10 million in 2013-14 and is estimated to be \$1.36 million in 2014-15.

The facility costs (Consists of Rental, Lease, Repair, and Non-Capital Improvement Costs) for all MERF schools incorporated into the financial projections are as follows: \$2.40 million (2014-15), \$2.60 million (2015-16), \$2.65 million (2016-17), \$2.99 million (2017-18), and \$3.04 million (2018-19). These estimated expenses are equivalent to an average of 6% of annual total revenues including contributions. These levels are below the 10-15% affordability range and these commitments are not expected to impact the organization’s flexibility to respond to any unforeseen costs.

Magnolia Educational & Research Foundation - Projected Facilities Cost					
School	2014-15	2015-16	2016-17	2017-18	2018-19
MERF	\$168,000	\$171,360	\$174,787	\$178,283	\$181,849
MSA-1	\$504,000	\$600,000	\$612,000	\$624,240	\$636,725
MSA-2	\$99,072	\$114,000	\$116,280	\$118,606	\$120,978
MSA-3	\$220,000	\$240,000	\$244,800	\$249,696	\$254,690
MSA-4	\$140,000	\$141,600	\$144,432	\$147,321	\$150,267
MSA-5	\$99,600	\$120,000	\$122,400	\$124,848	\$127,345
MSA-6	\$96,000	\$110,400	\$112,608	\$114,860	\$117,157
MSA-7	\$229,154	\$236,029	\$240,750	\$245,565	\$250,476
MSA-Bell	\$35,775	\$41,585	\$43,166	\$44,029	\$44,910
MSA-SD	\$69,581	\$89,684	\$89,684	\$167,134	\$167,134
MSA-SC	\$500,028	\$510,028	\$520,229	\$530,634	\$541,246
MSA-SA	\$228,000	\$228,000	\$228,000	\$444,224	\$444,224
Total	\$2,389,210	\$2,602,686	\$2,649,136	\$2,989,440	\$3,037,001

Financial Performance: Based on the audited financial statements for 2011-12, MERF experienced a net loss of \$1.07 million. At the conclusion of 2011-12, MERF was down to \$1.02 million in net fund balance and facing financial distress. Operating at a loss in 2011-12 only compounded the liquidity concerns that necessitated internal and external cash flow borrowings. However in 2012-13, operations improved at MERF and they were able to generate net revenue of \$4.03 million. This was

the result of \$30.65 million in revenues (including \$1.02 million in contributions) and \$26.61 million in adjusted expenses. In 2013-14, MERF generated an even larger surplus of \$5.60 million, including contributions of \$130,089. MERF attributes the increases in net revenue to reallocation of resources away from PTS-OV which closed at the end of 2012-13. Projected estimates for 2014-15 show revenues and adjusted expenses of \$33.59 million (including \$699,478 of contributions) and \$31.27 million, resulting in projected net revenue of \$2.32 million. Although MERF total enrollment slightly decreased from 2013-14 to 2014-15 (largely due to the relocation of MSA-5), MERF still anticipates an operating surplus.

MERF anticipates modest enrollment growth in 2015-16 but foresees a rapid increase in enrolled students once the CSFP facility is online in 2016-17. MERF's aggressive enrollment assumptions are discussed in further detail under the "MERF Enrollment and Retention Rates" section. The projected enrollment growth has a corresponding effect on projected revenues and expenditures in future years. With enrollment expecting to grow by 7% to 3,999 students in 2015-16, MERF projects increasing total revenues to \$37.78 million and adjusted expenses to \$33.21 million, for projected net revenue of \$4.57 million. MERF projects another 16% increase to 4,640 students in 2016-17. MERF expects net revenue of \$5.18 million on \$44.32 million in revenues and \$39.14 million in adjusted expenses. For 2017-18, MERF's projected enrollment growth is expected to continue by 9% to 5,040 students, resulting in net revenue of \$5.50 million after accounting adjustments. With 5,480 students expected in 2018-19, total revenues of \$52.18 million would exceed total adjusted expenses of \$46.33 million by \$5.85 million, prior to the projected CSFP lease payments.

Projected Debt Service Coverage of CSFP Payments: Assuming a 3.0% interest rate and 30-year repayment period, as well as estimated combined project cost of \$20,450,078, MERF's combined annual CSFP payment (two projects) would be \$521,674 beginning in 2017-18. MERF's projected net revenues of \$5.50 million for 2017-18 would provide debt service coverage of 1,054%, while the projected net revenues of \$5.85 million would result in debt service coverage of 1,121% for 2018-19. However, MERF's ability to meet the minimum debt service coverage is highly dependent on MERF realizing projected enrollment at its existing schools (5,480 students by 2018-19; 47% growth from 3,740 students in 2014-15).

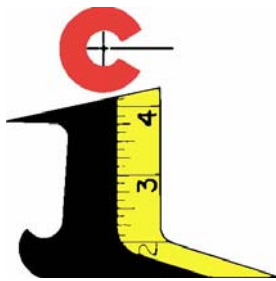
Staff estimates that MERF would need to enroll at least 4,700 students by 2017-18 to meet the debt service coverage requirement. MERF could potentially maintain at least 100% debt service coverage on CSFP obligations with substantially less enrollment because of the ability to reduce certain expense categories (i.e. certified and classified salaries) depending on the actual enrollment in a given year. Given MERF's historical enrollment growth, Staff anticipates MERF reaching the necessary enrollment levels. The estimated enrollment needed assumes that MERF maintains a student to teacher ratio of at least 19 to 1.

Liquidity: At June 30, 2014, MERF reported holding \$5.82 million in cash and cash equivalents. Liquidity measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. MERF's NWC for 2012-13 and 2013-14 was \$3.36 million and \$7.99 million, respectively, or 12.5%, and 29.5% of total expenses for these years. Staff considers NWC equivalent of at least 5.0% of total expenses to be sufficient. The NWC in 2013-14 is sufficiently higher than the 5% staff recommendation. Liquidity had been a concern for MERF schools going back to 2011-12, as MERF schools utilized external and internal cash flow borrowings to meet cash flow needs.

Strengths, Weaknesses and Mitigants

- + MERF's projected debt service coverage ratios of 1,054% in 2017-18 and 1,121% in 2018-19 exceed the minimum requirement of 100.0% by a wide margin. However, Staff estimates that MERF would need to enroll at least 4,700 students by 2017-18 to meet the debt service coverage requirement. Given MERF's historical enrollment growth, Staff anticipates MERF reaching enrollment in excess of 4,700 by 2017-18.
- + MERF has achieved enrollment growth from 2,608 students in 2010-11 to 3,740 students at 11 schools in 2014-15. In addition, MERF achieved an aggregate ADA rate of 97% between 2012-13 and 2014-15.
- MERF's ability to produce its projected debt service coverage ratios is heavily reliant on the aggressive enrollment growth projected for its existing schools.
- +/- MERF schools have continually demonstrated the ability to meet API growth targets. However, all AYP criteria was not met for the any of the MERF schools in 2012-13.

Staff Recommendations: Staff recommends that the California School Finance Authority (CSFA) Board determines that the Magnolia Educational and Research Foundation (MERF), applying on behalf of Magnolia Science Academy – Santa Ana (MSA-SA), is financially sound for purposes of the 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 recommendation is contingent upon MERF electing 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 and the State Allocation Board regarding this determination.



INLAND INSPECTIONS & CONSULTING
7338 SYCAMORE CANYON BLVD., STE. 4, RIVERSIDE, CA 92508
(951) 697-1000 * FAX (951) 697-1030

Revised June 18, 2015
 September 11, 2014

Dr. Mehmet Argin
 Magnolia Public Schools
 1390 Milton Ave., Ste. 200-B
 Westminster, CA92683

Dr. Argin:

EMAILED TO: wes@neffcon.com

RE: Request for Proposal - 2840 W First Street, Santa Ana
 Not a DSA Project
 DSA Project Inspector

Pursuant to the request of Wes Smylie with Neff Construction, I am providing this proposal for the referenced service. This proposal is based on information provided in the RFP from School Site Solutions, Inc stating an eleven month duration. We were not provided with plans, specifications or a schedule. Below I have provided the option of using either a Class 1 or 2 inspector. Our estimated fee for this service is:

DSA Class 1 Project Inspector	
79.50 per hour	\$131,750.00
Or	
DSA Class 2 Project Inspector	
76.50 per hour	\$126,650.00

Hourly rates will increase by \$2.50 on each July 1 to adjust for prevailing wage rate increase.

NOTE REGARDING OVERTIME RATES:

- Normal hours: eight hours Monday-Friday, excluding any Holiday
- Overtime hours (1.5 X): first 4 overtime hours Monday-Friday and first 12 hours on Saturday, excluding any Holiday
- Double-time hours (2 X): all hours over 12 on Monday-Saturday and all hours on Sunday or Holiday

All invoices are due within 30 days. Interest in the amount of ½% per month will be added to all past-due amounts.

Please contact me if you have any questions regarding our services or fees.

Sincerely,

Robert E. Schumacher
 Director of Operations

PROJECT EXPERIENCE AND REFERENCES

IIC has extensive project experience since January 1993. I have included below some of our recent experience. Additional experience dating back to January 1993 can be provided if requested. We have provided DSA inspections on the construction of nine new high schools. We have a broad range of experience in new construction, modernizations, additions, athletic fields and aquatic facilities, and relocatable buildings. All experience below is for DSA Inspector of Record services.

Riverside Community College District (2005-Present)

Contact Bart Doering, Facilities Development Director, (951) 222-8962

Norco College Networking Operations Center (new), April '12 – March '13
DSA Application Number 04-111515, File Number 33-C1, \$5.9 million
Hill Partnership Inc

Moreno Valley Student Academic Services Facility (new), April '12 - Present
DSA Application Number 04-111892, File Number 33-C1, \$15.4 million
DLR Group WWCOT

Norco College Secondary Effects Project, March '11 – July '12
DSA Application Number 04-111234, File Number 33-C1, \$9.3 million
Hill Partnership Inc

Riverside City College Wheelock Gymnasium Seismic Retrofit (new), July '10 – March '12
DSA Application Number 04-110664, File Number 33-C1, \$15 million
Gkk Works

Riverside City College Nursing and Science/Math Buildings (new), September '09 – March '12
DSA Application Number 04-04-109948, File Number 33-C1, \$86 million
Gkk Works

Riverside City College Aquatics Complex (new), October '09 – February '11
DSA Application Number 04-110100, File Number 33-C1, \$16 million
AVRP Studios

Corona-Norco Unified School District (1993-Present)

Contact Ted Rozzi, Assistant Superintendent, (951) 736-5045

Yorba Elementary School (new), October '13 – Present
DSA Application Number 04-109527, DSA File Number 33-9
PJHM Architects

Santiago High School Sciences Classroom and Administration Buildings, May '12 – Present
DSA Application Number 04-109731, File Number 33-H4, \$14 million
WLC Architects

Centennial High School Expansion, May '11 – Present
DSA Application Number 04-109865, File Number 33-H4, \$14.3 million
HMC Architects

Chavez Academy Phase I (new), August '11 – May '12
DSA Application Number 04-111802, File Number 33-9, \$11.5 million
PCH Architects LLP

Chavez Academy Phase 0 (new), April '11 – August '12
DSA Application Number 04-111705, File Number 33-9, \$1.7 million
PCH Architects LLP

Centennial High School Expansion Ph I, August '09 – May '11
DSA Application Number 04-109775, File Number 33-H4 \$18.5 million
HMC Architects

Riverside Unified School District (1993-Present)

Contact Dr. Kirk Lewis, Assistant Superintendent, (951) 788-7135 ext. 80413

Contact Kevin Hauser, Assistant Director of Facilities Projects, (951) 788-7135 ext. 84704

Liberty Elementary School Addition, January '14 – Present

DSA Application Number 04-112203, File Number 33-38, \$4 million

HMC Architects

North High School Athletics Facility Upgrade, July '12 – October '13

DSA Application Number 04-112110, File Number 33-H9, \$10.1 million

HMC Architects

Poly High School Aquatic Center and Athletic Facility Upgrade, April '12 – October '13

DSA Application Number 04-111766, File Number 33-H9, \$8.9 million

HMC Architects

Arlington High School Athletic Facilities Upgrade, December '11 – February '13

DSA Application Number 04-111733, File Number 33-H9, \$9.3 million

HMC Architects

Ramona High School Aquatic Center and Tennis Facility, January '12 – March '13

DSA Application Number 04-111670, File Number 33-H9, \$3 million

HMC Architects

North High School Tennis Courts Reconstruction, June '11 – August '11

DSA Application Number 04-111596, File Number 33-H9, \$200,000

HMC Architects

Poly High School Parking Lot Upgrade, May '11 – January '12

DSA Application Number 04-111628, File Number 33-38, \$485,000

HMC Architects

Additional New High Schools Past Experience

Alvord Unified School District, Hillcrest High School

Corona-Norco Unified School District, Roosevelt High School

Corona-Norco Unified School District, Santiago High School

Moreno Valley Unified School District, Vista Del Lago High School

Murrieta Valley Unified School District, Murrieta Mesa High School



River City Testing

7338 Sycamore Canyon Blvd., Ste. 4 ~ Riverside, CA 92508
(951) 697-0800 ~ fax (951) 697-5744

July 22, 2015

Magnolia Public Schools
c/o Mr. Doug Worrel
Neff Construction, Inc.
1701 S. Bon View Ave.
Ontario, CA 91761

Doug:

EMAILED TO: victoria@neffcon.com

RE: Magnolia Public Schools
Magnolia Science Academy
2840 W. First St., Santa Ana, CA
DSA Special Inspections & Testing

Thank you for the opportunity to present this proposal for the referenced services. This proposal is based on a review of plans and specifications (not DSA approved) and DSA 103. We were not provided with a project schedule. Our Fee Schedule is attached, along with our general Schedule of Fees, should any additional services be required.

Please contact us if you have any questions regarding our services or fees.

Sincerely,

Steve Potter
Assistant Director of Operations

attachments

**MAGNOLIA PUBLIC SCHOOLS
SCIENCE ACADEMY AT 2840 W. FIRST ST., SANTA ANA, CA
FEE SCHEDULE**

Engineer:	6 hours @ \$137.50 per hour	\$ 825.00
Soils Technician:	120 hours @ \$78.50 per hour	\$ 9,420.00
Special Inspector Batch Plant/Concrete:	80 hours @ \$79.50 per hour	\$ 6,360.00
Special Inspector Masonry:	100 hours @ \$79.50 per hour	\$ 7,950.00
Special Inspector Rebar Sample:	40 hours @ \$79.50 per hour	\$ 3,180.00
Special Inspector Visual Welding Field:	100 hours @ \$79.50 per hour	\$ 7,950.00
Special Inspector Visual Welding Shop:	100 hours @ \$79.50 per hour	\$ 7,950.00
Extracting Core Samples:	8 hours @ \$132.50 per hour	\$ 1,060.00
Ultrasonic Testing:	20 hours @ \$92.50 per hour	\$ 1,850.00
Deliver Samples to Testing Lab:	13 trips @ \$60.00 per trip	\$ 780.00
Proctor Density Test:	3 tests @ \$125.00 per test	\$ 375.00
Concrete Compression Test (12 sets of 4):	48 tests @ \$21.50 per test*	\$ 1,032.00
Concrete Mix Design Review:	2 mixes @ \$110.00 per mix	\$ 220.00
Concrete Block Conformance:	1 set @ \$300.00 per set	\$ 300.00
Grout Compression Test (8 sets of 4):	32 tests @ \$21.50 per test	\$ 688.00
Mortar Compression Test (6 sets of 3):	18 tests @ \$21.50 per test	\$ 387.00
Masonry Core Shear Test:	2 tests @ \$45.00 per test	\$ 90.00
High Strength Bolt/Nut/Washer Conformance:	3 sets @ \$110.00 per set	\$ 330.00
Rebar Bend Test:	10 tests @ \$30.00 per test	\$ 300.00
Rebar Tensile Test:	10 tests @ \$35.00 per test	\$ 350.00
DSA Inspection Card Update:	5 updates @ \$100.00 per update	\$ 500.00
DSA-291 Laboratory Verified Report:		\$ 350.00
DSA-291 Geotechnical Verified Report:		<u>\$ 350.00</u>

ESTIMATED TOTAL

\$52,597.00

*If hold sample does not require testing we will only bill \$12.00 per hold sample for disposal fee.

The hourly rates listed above are effective through June 30, 2016, and will increase by \$2.50 per hour on July 1, 2016.

NOTE REGARDING OVERTIME RATES:

- Normal hours: eight hours Monday-Friday, excluding any Holiday
- Overtime hours (1.5 X): first 4 overtime hours Monday-Friday and first 12 hours on Saturday, excluding any Holiday
- Double-time hours (2 X): all hours over 12 on Monday-Saturday and all hours on Sunday or Holiday

All invoices are due within 30 days. Interest in the amount of ½% per month will be added to all past-due amounts.

If any work is required to be added by an outside consultant, we will bill our cost plus 10%.

Prices include all required equipment, supervision, and reporting costs.

**MAGNOLIA PUBLIC SCHOOLS
SCIENCE ACADEMY AT 2840 W. FIRST ST., SANTA ANA, CA
SCHEDULE OF FEES FOR LABORATORY TESTING
EFFECTIVE THROUGH JUNE 30, 2016**

Laboratory Test, Test Designation, and Price Per Test

Soils		Concrete	
Atterberg Limits D 4318	\$125	Compression Test 6x12 Cylinder C 39	\$21.50
California Bearing Ration	\$400	Concrete Mix Design Review	\$110
Chloride and Sulfate Content	\$110	Concrete Mix Design Review (trial batch)	\$650
Consolidation D 2435	\$ 60	Concrete Core Compression Test C 42	\$ 35
Direct Shear – Undisturbed D 3080	\$230	Flexural Test C 78	\$ 50
Direct Shear – Remolded D 3080	\$250	Flexural Test C 293	\$ 50
Durability Index CT 229	\$150	Flexural Test CT 523	\$ 50
Expansion Index D 4829	\$150	Gunite/Shotcrete Samples (3 cores)	\$200
Expansion Potential (Method A) D 4546	\$135	Splitting Tensile Strength	\$ 75
Expansive Pressure (Method C) D 4546	\$135		
Geofabric Tensile and Elongation Test D 4632	\$150	Reinforcing and Structural Steel	
Permeability D 2434	\$200	Fireproofing Density Test UBC 7-6	\$ 35
pH and Resistivity CT 643	\$150	Hardness Test, Rockwell A 370	\$ 30
Proctor Density D 1557	\$125	High Strength Bolt, Nut, & Washer Conformance A 325	\$110
R-Value D 2844	\$225	Chemical Analysis A-36, A-615	\$110
Sand Equivalent D 2419	\$ 75	Reinforcing Steel Tensile (up to #11) A 615, A 706	\$ 35
Sieve Analysis D 422	\$ 70	Reinforcing Steel Bend (up to #11) A 615, A 706	\$ 30
Sieve Analysis D 1140	\$100	Structural Steel Tensile (excluding machining) A 370	\$ 50
Specific Gravity D 854	\$ 75	Welded Reinforcing Steel Tensile (up to #11 bars)	\$ 50
Corrosivity	\$150		
		Asphalt Concrete	
Roofing		Mix Design Review (Job Spec)	\$110
Built-up Roof cut-out samples	\$165	Extraction/Gradation D 2172, CT 310	\$200
Roofing Tile Absorption (set of 5) UBC 15-5	\$150	Hveem Stability and Unit Weight CT 366	\$180
Roofing Tile Strength Test (set of 5) UBC 15-5	\$150	Marshall Stability, Flow and Unit Weight T 245	\$200
		Maximum Theoretical Unit Weight D 2041	\$125
Masonry		Swell CT 305	\$165
Concrete Block Compression Test C 140	\$ 50	Unit Weight (sample or core) D 2726	\$ 75
Concrete Block Linear Shrinkage C 426	\$100		
Concrete Block Unit Weight and Absorption C 140	\$ 50	Aggregates	
Concrete Block Conformance Package C 90	\$300	Absorption C 127, C 128	\$ 30
Masonry Grout 3x3x6 Prism Compression UBC 21-18	\$21.50	Durability CT 229	\$120
Masonry Mortar 2x4 Cylinder Compression UBC 21-16	\$21.50	Sand Equivalent CT 217	\$ 75
Masonry Core Compression Test CBC	\$ 25	Sieve Analysis C 136	\$ 90
Masonry Core Shear Test CBC	\$ 45	Specific Gravity Coarse C 127	\$ 60
Masonry Prism half size Compression	\$125	Specific Gravity Fine C 128	\$ 70
Grout or Mortar Mix Design Review	\$110		
Veneer Adhesion Test	\$155	Miscellaneous	
Grade BD Anchor Test	\$275	Ground Rod Test <i>per test</i>	\$ 110
		Disposal of Hold Sample <i>per sample</i>	\$10
		Pick up an deliver samples <i>per trip</i>	\$60.00
		Mileage (as required) <i>per mile</i>	\$.60
		DSA Interim Lab Affidavit (Card Update) <i>per update</i>	\$ 100
		DSA Final Lab Affidavit	Per Quote

HOURLY CHARGES FOR PERSONNEL

Special Inspector Batch Plant	\$ 79.50
Special Inspector Concrete	\$ 79.50
Special Inspector Fireproofing	\$ 79.50
Special Inspector Load Testing	\$ 89.50
Special Inspector Masonry	\$ 79.50
Special Inspector Pachometer	\$ 92.50
Special Inspector Rebar Sample	\$ 79.50
Special Inspector Structural Steel and Welding	\$ 79.50
NDE (Ultrasonic Testing and Magnetic Particle Testing)	\$ 92.50
Soils Technician	\$ 78.50
Extracting Core Samples	\$132.50
Engineer (upon request)	\$137.50

***Hourly rates will increase by \$2.50 on each July 1 to adjust for prevailing wage rate increase.
If any work is required to be added by an outside consultant, we will bill our cost plus 10%.
Prices include all required equipment, supervision, and reporting.**

Minutes

MPS

Board Meeting

Tuesday Jul 28, 2015 @ 6:00 PM at Teleconference

Board Members Present

N. Russell-Unterburger (remote), R. Oten (remote), U. Yapanel (remote), W. Huynh (remote)

Board Members Absent

D. Gonzalez, M. Kaynak, S. Sherkhanov

I. Opening Items

Call the Meeting to Order

B. Torres called a meeting of the board of directors of MPS to order on Tuesday Jul 28, 2015 @ 6:17 PM at Teleconference.

Flag Salute

The Flag salute was lead by Mr. Diaz.

Public Comment

There were no public comments.

Approval of the Agenda

The agenda was approved unanimously as presented.

Oral Communications

II. Items

Item #8 Parent Empowerment Act School Opportunity

Dr. Young explained to the Board the situation that Palm Lane school was in and she explained the process of doing a turn-over of that school. She addressed all Board members' questions. Ms. Unterburger moved to direct Magnolia staff to provide a Letter of Interest/Program Synopsis responding to the Palm Lane parent community's request for high quality schools interested in serving their students. Mr. Nguyen seconded. The motion was passed unanimously.

Item #9- MSA-SA Facility Construction Award of Lowest Bid

Mr. Gonzalez explained the bidding process to the Board. Neff construction employees and Mr. Gonzalez informed the Board of the bidding companies and they addressed all Board members' questions. Ms. Unterburger moved to reject all previous bids that were opened in Fall 2014 and to approve the awarding of the MSA- Santa Ana project to RC Construction Services in the amount discussed. Mr. Nguyen seconded. The motion was passed unanimously.

Item #10 Public Announcement of Reasons for Closed Session

Dr. Yapanel announced the items that would be discussed in closed session and directed the Board to join the closed session.

Item #12 Announcement of Action(s) Taken in Closed Session

Ms. Unterburger moved to authorize CEO & Superintendent to sign a lease with National Hispanic University for the Santa Clara campus for the 2015-16 school year and immediately recall students and teachers for the new school year, as well as drive recruitment among the families of the students sharing the NHU campus and in the surrounding community; and, direct staff to return to the board as soon as possible with a long-term site for the

school located in a neighboring well situated to address the needs of historically underserved students in Santa Clara County and as close as possible to the NHU site. Dr. Yapanel seconded. The motion was passed unanimously.

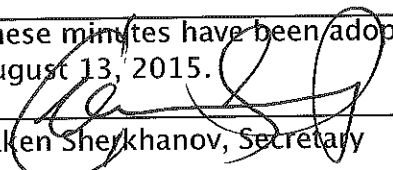
III. Closing Items

Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 08:30 pm.

Respectfully Submitted,
A. Rubalcava

These minutes have been adopted by the Board at a regular meeting of the Board held on August 13, 2015.


Saken Sherkhanov, Secretary

Date: 9/10/15