



**BEFORE THE GOVERNING BOARD OF THE  
ACTON-AGUA DULCE UNIFIED SCHOOL DISTRICT**

**Resolution No. 17-18.XX**

**Resolution to Deny the Eagle Collegiate Academy Charter Petition**

WHEREAS, the approval or denial of charter school petitions is governed by the Charter Schools Act of 1992, as subsequently amended, Education Code sections 47600 et seq.;

WHEREAS, the Acton-Agua Dulce Unified School District ("District"), received the proposed charter petition ("Petition") for the Eagle Collegiate Academy ("Charter School");

WHEREAS, consistent with Education Code section 47605 subdivision (b), at a meeting on April 12, 2018, a public hearing was held on the Petition, at which time the Governing Board of the Acton-Agua Dulce Unified School District ("Governing Board") considered the level of support for the Petition by teachers employed by the District, other employees of the District, and parent/guardians;

WHEREAS, approval or denial of a charter petition is governed by the standards and criteria set forth in Education Code section 47605;

WHEREAS, Education Code section 47605 subdivision (b) prohibits the Governing Board from denying a charter petition unless it makes factual findings, specific to the particular charter school, setting forth facts to support one or more findings;

WHEREAS, the District's staff has reviewed the Petition and supporting materials submitted by the Petitioners, including an updated multi-year budget submitted on May 5, 2017, and prepared and submitted a Staff Report and Recommendation, attached as Exhibit A; and

WHEREAS, the Governing Board has reviewed the Petition and supporting materials, and the Staff Report and Recommendation.

THEREFORE BE IT RESOLVED, that the Governing Board of the Acton-Agua Dulce Unified School District adopts the findings contained in the Staff Report and Recommendation in their entirety.

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BE IT FURTHER RESOLVED, that based upon these findings, the Governing Board of the Acton-Agua Dulce Unified School District denies the Petition for the establishment of Eagle Collegiate Academy because the Petitioners are demonstrably unlikely to successfully implement the program set forth in the petition.

APPROVED, PASSED AND ADOPTED by the Governing Board of the Acton-Agua Dulce Unified School District on this 26<sup>th</sup> day of April 2018, by the following vote:

AYES \_\_\_\_\_

NAYS \_\_\_\_\_

ABSTAIN \_\_\_\_\_

ABSENT \_\_\_\_\_

\_\_\_\_\_  
Lawrence King, Superintendent  
AADUSD

\_\_\_\_\_  
Kelly Jensen, Clerk  
Board of Trustees

**EXHIBIT A**  
**To Resolution 17-18.XX**

To: Governing Board, Acton- Agua Dulce Unified School District  
From: Lawrence King, Superintendent  
Date: April 26, 2018  
Re: Staff Report and Recommendation to Deny Eagle Collegiate Academy Charter Petition

California Education Code § 47605(b) states: The governing board of the school district shall not deny a petition for the establishment of a charter school unless it makes written factual findings, specific to the particular petition, setting forth specific facts to support one or more of the following findings:

- 1) The charter school presents an unsound educational program for the pupils to be enrolled in the charter school.
- 2) The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition.
- 3) The petition does not contain the number of signatures identified in Ed. Code § 47605(a).
- 4) The petition does not contain an affirmation of each of the conditions described in Ed. Code § 47605(d).
- 5) The petition does not contain reasonably comprehensive descriptions of all of the 15 elements identified in Ed. Code § 47605(b)(5).
- 6) The petition does not contain a declaration of whether or not the charter school shall be deemed the exclusive public employer of the employees of the charter school for purposes of Govt. Code § 3540 *et seq.*

**Recommendation:**

The Superintendent of Schools recommends that the Board of Trustees adopt the findings contained in this Staff Report and on that basis deny the Eagle Collegiate Academy charter petition based on a finding that the Petitioners are demonstrably unlikely to successfully implement the program set forth in the Petition.

**The Petitioners are demonstrably unlikely to successfully implement the program set forth in the petition because they present an unrealistic financial and operational plan.**

Staff have completed an extensive review of the Petition's financial and operational plan and finds it to be unrealistic for the following reasons.

- 1) **The proposed financial and operational plan is unreasonable because it contains expenditures that appear to be unreasonably low, it relies on aggressive initial enrollment and aggressive growth to cover its projected expenditures, it relies on borrowing based on ADA to manage cash for four years, and it projects a reserve that barely meets requirements in the first year.**

After a thorough review, Staff conclude that the Petition and supporting materials set forth an unrealistic financial and operational plan. This includes:

For enrollment and ADA, Petitioners are assuming enrollment of 355 students and ADA of 337.25 with annual enrollment increases of 50 students driving revenue projections. This growth is necessary to cover expenses and develop projected increases in positive ending fund balances after the first year of operations. The initial enrollment projection and the annual increases of 9% to 14% are very aggressive considering Petitioners projected opening with just 228 students one year ago. Additionally, growth rates are not in alignment with patterns of seat-based programs surrounding the proposed location, which range from -2.5% to 4.6%.

Staff has identified a number of inconsistencies and areas of concern with respect to budgeted expenditures for staffing, including the following:

- The sum shown for "Total Teachers" in Table H of Appendix D is not properly calculated and is 1 too low each year; 20 instead of 21, 22 instead of 23, etc. Table I of Appendix D identifies the Average Salary by Position for Teachers (including SpEd) as \$52,650 in Year 1 increasing to \$56,388 in Year 5.
- The teacher salary cost shown on the Year 1 Payroll Budget – Year 5 Payroll Budget pages included in Appendix D uses \$51,000 increasing to \$55,204 in Year 5. If the salary included in the Table I were applied to the teacher count each year, the impact to the budget would be approximately \$38,000 in Year 1 up to approximately \$44,000 in Year 5, not including the increase to statutory benefit costs.
- Page 191 of the Petition states, "ECA does not currently have a formal salary schedule. Compensation structures will also be innovative."

Budgeted expenses in various categories are too low to provide the described program and are not reasonable compared to costs incurred by other schools and districts in the area. Specific concerns about under-budgeted expenses include:

- ECA intends to allocate only about \$300 per student per year for textbooks/core curricula, books and other materials, and school supplies based on budgeted amounts included Table K of Appendix D as well as the Multi-Year Forecast. In comparison, AADUSD expends approximately \$400 per student per year for textbooks/core curricula, books and other materials, and school supplies. In addition, since there is not a significant difference in the per student allocation for these categories in any year, it is not clear how ECA intends to purchase the textbooks, books and supplies needed to start up a school for 355 students and implement the program described in the petition.
- Table L of Appendix D identifies counts and costs for equipment purchases. Page 43 of the Petition states, "Every classroom will be equipped with an LCD projector. Every teacher will be provided a laptop computer." Table L identifies a count of 22 devices needed for Year 1, which corresponds to the count of devices needed on the Payroll Budget worksheet. Year 1 staffing includes 21 Teachers (19 full time plus 4 half time), 3 Education Specialists, 1 CEO, 1 Office Manager, 1 Community Liaison, 1 Climate Assistant, 1 Custodian, and 2 SpEd Aides. The device count of 22 identified on Table L does not appear to take into account the SpEd teachers, the CEO or office staff who would typically need a computer. The per teacher allocation of \$600 for technology would not likely support the purchase of a laptop and an LCD projector. It is uncertain how ECA intends to pay for the equipment and furniture needed for a school office and nurse's office. There is a line in Table L for Other Non-Cap Equipment with a Year 1 budget of \$5,000, which is unreasonably low to purchase

even the bare minimum of equipment and furniture for school office, custodial, and safety/emergency operations.

- Only \$25,000, when the school has 355 students and increasing to a maximum of \$42,306 in Year 5 when the school projects 555 students, is budgeted for sub-agreements for Special Education Consultant costs to service students including psychological, speech/language, and occupational therapy services. While ECA notes this is in addition to services provided through in-house SpEd teachers, it is very low given the fact that ECA intends to serve over 350 students through a seat-based program. Students are entitled to these services, so the budget must reasonably and realistically represent services identified in students' IEPs. As a reference point, the cost for psychological evaluations conducted by a psychological consultant during the 2017/18 year is \$5,000 per student.
- The amount budgeted for audit services is approximately \$8,000 annually. This amount is significantly lower than the cost for the District or other charters with an average cost of approximately \$20,000.
- The amount allocated for repairs and maintenance is only \$4,800 in Year 1 with a maximum allocation of \$8,123 in Year 5. This allocation is unreasonably low taking into consideration the instructional and operational plan identified in the Petition and the terms of the Lease Agreement for the school site that states, "Tenant shall maintain the roof, foundation, exterior walls, common area, and brush clean up as needed."
- The budget for utilities is unreasonable low, beginning at \$26,000 in Year 1 with 355 students with a maximum budgeted amount of \$43,999 in Year 5 with 555 students. The school is located in an area where high summer and cold winter temperatures significantly impact cooling and heating costs. A school in the District where ECA plans to operate with fewer than 300 students had utility costs of \$81,000 in the prior year, which validates the concern that utility costs are under-budgeted.
- Budgeted janitorial and trash removal costs begin at only \$7,500 per year and increase to only \$12,692, which is unreasonable low given the fact that ECA's payroll budget includes only one custodian for Year 1 and Year 2 of operation.
- The petitioners project legal expenses of only \$15,000 in Year 1 with a maximum budgeted cost of \$32,000 in Year 5. This amount is very low given ECA projects enrolling 355 – 555 students, engaging staff through "innovative compensation structures," and entering into contracts for services and facilities.

The Petition states, "ECA expects cash flow to be a problem during the startup up period, the first quarter of Year 1 and each year thereafter due to the growing enrollment." Monthly ending cash for most months of the first three years is approximately \$8,000 - \$15,000 while monthly operational costs for Year 1 are approximately \$250,000 and increase by an average of at least \$50,000 per month for each of the following years. The budget relies on cash flow from financing activities that require selling future receivables ("factoring") based on anticipated ADA and growth in ADA. ECA's Petition identifies the sale of \$30,000 in June 2018, prior to the school opening, to finance the \$10,000 facility deposit and other expenses. ECA projects selling receivables in Years 1 – Year 4 to support operational costs. Only in Year 5 is ECA able to manage its operational costs without "factoring," which diverts needed funding away from student programs and services to pay interest and costs of debt issuance. The Petition does not include a plan for funding payroll and operations if financing becomes unavailable, or if anticipated ADA does not materialize.

- 2) Based on the preceding concerns and conclusions, Staff conclude that the Petition's financial and operational plan is unreasonable, and for that reason the Petitioners are demonstrably unlikely to successfully implement the program set forth in the Petition.**

Financial difficulty is the leading cause of charter school closures in California. Therefore, a reasonable financial and operational plan that adequately budgets for unforeseen expenses and realistic enrollment figures is crucial to a new charter school's success. Based on the Staff's concerns and conclusions set forth in this Staff Report and Recommendation, the Staff finds that the Eagle Collegiate Academy's financial and operational plan is not reasonable, and for that reason the Eagle Collegiate Academy Petitioners are demonstrably unlikely to successfully implement the program set forth in the Petition. The Staff recommends that the Acton-Agua Dulce Unified School District Governing Board adopt this Staff Report's findings as its own, and deny the Eagle Collegiate Academy Petition.