

**MEMORANDUM OF UNDERSTANDING BETWEEN
ELK GROVE UNIFIED SCHOOL DISTRICT
AND
CALIFORNIA MONTESSORI PROJECT CHARTER SCHOOL- ELK GROVE CAMPUS**

This Agreement (or Memorandum of Understanding "MOU") is executed by and between the Board of Trustees of the Elk Grove Unified School District (hereinafter referred to as "District") and the California Montessori Project Charter School- Elk Grove Campus, operated by and as California Montessori Project Charter School- Elk Grove Campus, a California nonprofit public benefit corporation ("Charter School").

RECITALS:

- A. The District is a school district existing under the laws of the State of California.
- B. The Charter School submitted a petition to establish a charter school to the District, which the District approved on _____, subject to certain conditions.
- C. This Agreement is intended to outline the parties' agreements governing their respective fiscal and administrative responsibilities and their legal relationship and other matters of mutual interest.
- D. If any provision of this MOU is inconsistent with the charter, the terms of the charter shall prevail.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements herein set forth Charter School and the District do hereby agree as follows:

AGREEMENTS:

I. TERMS AND RENEWAL:

- A. The Agreement is subject to termination during the term or any renewal as specified by law or as otherwise set forth in this Agreement.
- B. The parties agree that the recitals set forth above are true and are incorporated as essential terms of this MOU.
- C. Any modification of this Agreement must be in writing and executed by the duly authorized representatives of both parties specifically indicating the intent of the parties to modify this MOU.
 - 1. The duly authorized representatives of the Charter School are the Executive Director and the President of the Board of Directors or the Board of Directors as a whole.

2. The duly authorized representatives of the District are the District Board of Trustees ("Board") and Superintendent or designee. For purposes of amendment of the Charter, the Board is required to take action.
 3. The term of the Agreement is for the term of the Charter. However, the parties agree to review this Agreement annually. By March 1, of the then current year beginning in the year 2007, both parties will present proposed revisions to the MOU. If there is no agreement by April 30 of the current year, then the existing MOU will continue in effect until mutually modified except that the MOU shall expire upon the expiration, rescission, or revocation of the Charter. Both parties may amend this Agreement in writing at any time during the school year.
 4. The District reserves the right of approving amendments and/or revoking the Charter School charter as specified in Education Code Section 47607.
- D. The Charter School shall ensure that its name California Montessori Project Charter School- Elk Grove Campus is correctly spelled in all notifications to the State and in its corporate documents.
- E. The Charter for the California Montessori Project Charter School- Elk Grove Campus is for a K-8 school population only.

II. ADMINISTRATIVE SERVICES

- A. In accordance with Education Code Section 47613, the District may charge for the actual costs of supervisory oversight not to exceed 1 percent of the revenue of the charter school. "Revenue" is defined in accordance with Education Code Section 47613(f) as the general purpose entitlement and categorical block grant, as defined in Education Code Section 47632(a) and (b). This payment will be made in bi-annual payments or in the method or timing most acceptable to the District.
- B. The Charter School and the District agree that "supervisory oversight," as used in Education Code Section 47613 and Education Code Section 47604.32, shall include the following:
1. All activities related to the Charter revocation and renewal and processes as described in Section 47607.
 2. Activities relating to monitoring the performance and compliance of the Charter School with respect to the terms of its Charter, related agreements, and all applicable laws.
 3. Participating in the dispute resolution process described in the Charter.

4. Review and timely response to the Charter School's Annual Independent Fiscal and Performance Audit.
5. Identification of at least one Staff member as a contact person for the Charter School.
6. Visitation to the Charter School at least annually.
7. Ensuring that the Charter School provides all reports required of charter schools by law.
8. Monitoring the fiscal condition of the Charter School.
9. Providing timely notification to the California Department of Education if any of the following circumstances occur:
 - A renewal of the charter is granted or denied.
 - The Charter is revoked.
 - The Charter School will cease operation for any reason.

C. In addition to the supervisory oversight responsibilities and the oversight fee described above, the District shall also provide the Charter School with the following services and the Charter School shall compensate the District as follows:

1. Facilities: Should the Charter School choose to use any District facilities the terms and conditions of such use shall be in accordance with a separate memorandum of understanding for that purpose.

2. Meal Services: The Charter School assumes responsibility for ensuring that the Charter School's meal program complies with all federal requirements and state/local health regulations. District's Child Nutrition Department agrees to make available nutritionally adequate breakfast and lunch meals to the Charter School upon negotiation of a separate memorandum of understanding.

3. If the District is utilized for STRS reporting, the Charter School shall reimburse the District for the actual costs of administration of State Teachers Retirement System (STRS) records and the submission of required reports.

D. The Charter School shall retain the authority to contract with third parties for any services required to operate the charter in the accordance with the law, this MOU, and the approved charter.

1. The Charter School will contract with Wheatland Elementary School District for services which may include but not be limited to the following services: monthly payroll; issuance of w2s; tax Deposits; maintenance of the General Ledger; deposit and enter cash receipts; assist in purchasing

and AP processing; print and mail all AP checks; process and submit SACS reports as required during the year; assist in the development and revision of the budget; complete monthly cash flow reports; generate revenue and expense reports and facilitate auditor's requests. By July 1 of each year, CMP will submit a copy of the business service agreement with Wheatland Elementary School District memorializing the services to be provided and the costs therefore, to be attached herein for reference purposes.

2. The Charter School will receive from the California Montessori Project centralized services to be memorialized (describing those served provided by California Montessori Project to the Charter School and the charges therefore) and provided to the District by July 1 of each year.
3. Prior to contracting with any other entity as primary provider of business and/or administrative services, the Charter School shall provide notice and seek approval by the District.

E. Additional services may be contracted by the Charter School from the District if available pursuant to a separate written agreement between the Parties.

III. PROGRAMMATIC AUDIT

After receipt of standardized testing scores and API statewide or similar school ranks, the Charter School administrator will compile and provide to the School District an annual performance audit documenting whether or not students are achieving the measurable outcomes defined in the charter and such other information requested by the District relating to the Charter School's performance. This section does not limit the District's statutory authority to make reasonable requests for information at any time during the year.

IV. FUNDING

- A. To the extent that Charter School is required to submit records or information to the District or to the Sacramento County Office of Education in order to confirm funding, those records must be prepared by the Charter School in a format acceptable to the recipient.
- B. As established by Education Code Section 47630 et. seq., the Charter School shall receive funding under the charter school funding model as follows:
 1. A general purpose entitlement pursuant to Education Code Section 47633, which includes in-lieu property taxes and state aid.
 2. A categorical block grant amount pursuant to Education Code Section 47634.

3. The Charter School is also entitled to lottery funds, pursuant to Education Code Section 47638.
 4. The Charter School is also entitled to class size reduction funds (if applicable), a variety of state and federal application based programs, as well as various grant opportunities. Except as otherwise noted in this Agreement, it shall be the responsibility of the Charter School to apply for all funding that is beyond the basic statutory entitlement.
 5. Any additional funds negotiated by the Charter School in accordance with Education Code Section 47636.
- C. The Charter School has elected to receive funding from the State directly, pursuant to Education Code Section 47651.
- D. The District shall provide funding in lieu of property taxes to the Charter School as required by law. A check will be mailed to the Charter School by the fifteenth (15) day of each month as required by law. The District shall have the right to withhold any amounts owed by the Charter School to the District which have not been paid to the District more than 60 days after requesting payment in writing by the District.
- E. In addition to the block grant funding specified above, the parties recognize the authority of the Charter School to pursue additional sources of funding.
1. The District has no obligation to apply for additional sources of funding for the Charter School.
 2. The Charter School shall cooperate fully with the District in any funding applications made by the District on behalf of the students of the Charter School,
 3. The Charter School agrees to comply with all regulations related to expenditures and receipt of such funds.
- F. The Charter School agrees that all revenue obtained from the District shall only be used as set forth in the approved charter and any authorized amendments.

V. LEGAL RELATIONSHIP

- A. The Charter School is operating as a non-profit, public benefit corporation. Members of the Charter School Corporate Board of and all officials of the Charter School shall file with the District and all other required entities, copies of all Fair

Political Practice Commission conflict of interest forms, or forms that may otherwise be required by law i.e. a Statement of Economic Interests which is required under the Political Reform Act by the Fair Political Practices Commission which are required of public school district board members and officials, and shall abide by an adopted conflicts code.

- B. The Parties agree and understand that all employees of the Charter School shall be employees of the Charter School and that it shall be the exclusive public school employer for the purposes of collective bargaining as provided in Education Code Section 47605(b)(5)(O).
- C. The Charter School agrees to pay any attorney/s fees and costs incurred by the District, or the District's insurer that provides liability or property coverage to the District, that are incurred in any successful effort by the District or the insurer to invoke or enforce the indemnification and insurance provisions of this Agreement. Any successful effort includes, but is not limited to: 1) the District prevailing in any litigation against the Charter School, or its insurance providers, seeking to invoke or enforce the indemnification and insurance provisions of this Agreement, and 2) voluntary acceptance of the indemnification and insurance provisions of this Agreement by the Charter School or its insurance providers. All fees and costs incurred by the District or the insurer, after the District or the insurer has requested in writing, that the Charter School or its insurance provider comply with the indemnification and insurance provisions of this Agreement, shall be paid to the District, or the insurer, whichever has paid the fees and costs.
- D. The Parties recognize that the Charter School is a separate legal entity. The Charter School shall be operated as a non-profit public benefit corporation under Education Code Section 47604. As such, in accordance with Education Code Section 47604(c), if the District complies with all oversight responsibilities required by law, the District shall not be liable for the debts or obligations of the Charter School or for claims arising from the performance of acts, errors, or omissions by the Charter School.
- E. Any complaints/concerns received by the District about any aspect of the operation of the Charter School or about the Charter School shall be forwarded by the District to the Charter School in a timely manner. To the extent that such concerns/complaints may involve issues related to possible revocation or non-renewal of the charter, the District may request that the Charter School inform the District of how such concerns/complaints were addressed. The Charter School agrees to provide such information.

VI. FISCAL RELATIONSHIPS

- A. To the extent that the District is required to submit financial forms on behalf of the Charter School, the Charter School is responsible for providing the necessary information to the District in a timely manner and in a format acceptable to the District. The Charter School agrees to follow processing schedules and District business office procedures.
- B. AVERAGE DAILY ATTENDANCE. The Charter School will be responsible for its daily and monthly attendance accounting. The Charter School will submit the attendance reports in accordance with the District format and State law and regulations to the District's attendance officer. These reports will be submitted to the District at least one week prior to the county submission due dates for the P1, P2 and annual attendance periods. These dates will be part of the Charter School's annual calendar development. Such attendance will be included in the annual independent audit of the Charter School.

The Charter School will report the names of the students who have newly enrolled in the Charter School, including their name, address, grade level and the student's prior district and school. In the case of Kindergarten students, the Charter School will report the district and school they would have attended if they are residents of the District. This will be done on at the CBEDS reporting date and by February 15 and during the annual report (without student names), or as otherwise required by law. The Charter School will report the names of the students who have disenrolled from the Charter School along with the reason for disenrollment (i.e. returning to district of residence, drop out, or expulsion) and where the student intends to attend school upon the Charter School's action of dropping the student. The Charter School will report by letter all students who disenroll and who plan to reenroll in the District promptly upon learning of the disenrollment.

- C. ANNUAL AUDIT: The Charter School shall be responsible for having an annual independent fiscal audit done of the entire Elk Grove Campus Charter School operation in accordance with all applicable laws. The audit will be conducted in accordance with generally accepted accounting principles applicable to public schools. The annual audit will be completed and will be forwarded to the chief financial officer of the District, the County Office of Education, State Controller's Office and the California Department of Education on or before December 15.

The Charter School's Executive Director will submit audit findings corrective action plans to the District and the County Office of Education by March 15. Audit exceptions must be resolved to the satisfaction of the District's governing board.

- D. In the event that the District seeks and receives a voter approval for a general obligation bond, parcel taxes, or similar financial instrument, the Charter School shall have no entitlement to any portion of the funds unless negotiated in advance or unless otherwise required by law. The Charter School agrees that it has no entitlement to funds currently being received, if any, by the District under former parcel tax or bond elections.

- E. The Charter School agrees that it shall establish a fiscal plan and provide a copy of this plan to the District, for repayment of any loans received by the Charter School in advance of receipt of such loans. It is agreed that all loans sought by the Charter School shall be the sole responsibility of the Charter School and District shall have no obligation for repayment nor shall the District guarantee repayment of any such obligations.
- F. Absent written agreement otherwise, the District shall not advance any funds to the Charter School. In addition, the District shall not act or provide a line of credit for the Charter School
- G. The Charter School shall maintain a minimum of 5% or \$50,000, whichever is greater, of annual total expenditures, transfers out, and other uses of funds of the Charter School as reserve account for economic uncertainty
- H. The Charter School shall annually prepare and submit the following reports to the District and the County Superintendent of Schools in the format dictated by the County Superintendent of Schools:
 - 1. On or before July 1, a preliminary budget for the upcoming year.
 - 2. On or before September 15, unaudited actual data for the full prior year.
 - 3. On or before 45 days after the Governor signs the annual Budget Act, a revised budget including any revisions in revenues and expenditures that have been made to its budget to reflect the funding made available by the Budget Act.
 - 4. On or before December 15, an interim financial report reflecting changes through October 31. This interim report shall include projections of year end balances and projections for the next two years.
 - 5. On or before March 15, a second interim financial report reflecting changes through January 31. This interim report shall include projections of year end balances and projections for the next two years.
 - 6. The Elk Grove Campus Charter School shall develop and monitor its budget in accordance with established laws and regulations. The Charter School will utilize and develop an annual budget development and monitoring calendar. This calendar shall be forwarded to the District by December 1 of the prior year. State required financial reports shall be forwarded to the District within one month of their due date.

VII. FISCAL CONTROLS

- A. Charter Schools shall adopt and meet generally accepted accounting principles and shall adopt policies to ensure the Charter School's funds are used to most effectively support the school's mission and to ensure that funds are budgeted, accounted for, expended and maintained in an appropriate and lawful fashion. Such policies will include, but not be limited to, principles that ensure that: (1) expenditures are authorized in accordance with amounts specified in the adopted budget; (2) the School's funds are managed and held in a manner that provide a high degree of protection of the School's assets; and (3) all transactions are recorded and documented in an appropriate manner that allows reporting to the State as required by the District, the County Office of Education or the California Department of Education.
- B. Segregation of Duties: The Charter School will develop and maintain simple warrant requests and purchase order forms to document the authorization of all expenditures. All proposed expenditures must be approved by the Executive Director or designees who will review the proposed expenditure to determine whether it is consistent with the Board-adopted budget and sign the check request form. All transactions will be posted on an electronic general ledger. The transactions will be posted on the ledger by someone at the school site or contracted bookkeeper. To ensure segregation of record recording and authorization, the bookkeeper may not co-sign check requests or purchase orders.
- C. Banking Arrangements: The Charter School will maintain an account with the Sacramento County Treasurer. The Charter School may not hold funds in any other institution, including banks or credit unions, or with any person or entity. The Charter School's bookkeeper will reconcile the Charter School's ledger(s) with its accounts in the county treasury on a monthly basis and prepare (1) a balance sheet, (2) a comparison of budgeted to actual revenues and expenditures to date, and (3) a cash flow statement. The Executive Director or designee and finance committee of the Charter School Board will regularly review these statements. The Charter School will deposit all funds received as soon as practical upon receipt. A petty cash fund may not exceed \$500.00, may be established with an appropriate ledger to be reconciled twice monthly by the school secretary, who shall not be authorized to expend petty cash.
- D. Purchasing Procedures: All purchases over \$10,000.00 must include documentation of a good faith effort to secure the lowest possible cost for comparable goods or services. The Executive Director or designee shall not approve purchase orders or warrant requests lacking such documentation. Documentation shall be attached to all warrant and purchase order requests showing that at least (3) vendors were contacted and such documentation shall be maintained for at least (3) years. All purchases in excess of \$25,000.00 must have dual signatures by a board member and a separate officer of the corporation.
- E. Property Inventory: The Executive Director or designee shall establish and maintain an inventory of all non-consumable goods and equipment over \$1,000.00. In addition an inventory shall be established and maintained of all

computer equipment. This inventory shall include the original purchase price and date, a brief description, serial numbers and other information appropriate for documenting the Charter School's assets. Property will be inventoried on an annual basis.

- F. If Charter School decides to offer existing or new employees of Charter School the opportunity to participate in STRS or PERS, Charter School shall be responsible for making these arrangements through the County Office of Education or District as applicable.
- G. Property and Liability Insurance and CMP. The Charter School Board of Directors shall ensure that the Charter School retains appropriate property and liability insurance coverage. Property insurance shall cover replacement costs and insured to value of business personal property written on a "special form," (causes of loss). Liability insurance shall be no less than **1,000,000** per occurrence and **2,000,000** general aggregate. The District shall be named as additional insured on this policy.

The Directors and Officers Liability Insurance, including Employment Practices Liability Insurance, shall be obtained and kept in force at all times with a self-insured retention of no less than **1,000,000** per occurrence and **2,000,000** general aggregate. The District shall be named as additional insured on this policy. A copy of all required insurance policies evidencing the District named as an additional insured shall be provided to the District within two weeks of the effective date of this MOU.

- H. Indemnification and Hold Harmless: The Charter School comply with the indemnification requirements outlined in the approved charter.
- I. Additional Insured Endorsement: the District, its elected and appointed officers, agents, employees, volunteers, contractors and representatives shall be listed as Additional Insured as respects the operations of the named insured. Coverage shall not be limited to the vicarious liability or supervisory role of any additional insured. Said insurance policy shall be endorsed (copy of Endorsement attached to Certificate of Insurance) to include the following language, "EGUSD, its elected and appointed officers, agents, employees, volunteers, contractors and representatives shall be listed as Additional Insured as respects the operations of the named insured performed under the terms of this Agreement."
- J. Certificate of Insurance: Prior to commencing services pursuant to this Agreement, the California Montessori Project shall provide certificates as evidence of the existence of the insurance required by this Agreement, on insurance certificates executed by a duly-authorized agent of the California Montessori Project's insurance provider. Such certificate shall include the Endorsements described in this Agreement as attachments.

- K Workers' Compensation: The California Montessori Project shall provide Workers' Compensation coverage as required by California law, and in signing this Agreement, makes the following certification: "California Montessori Project is aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with such provisions before commencing the performance of this Agreement." Prior to commencing services pursuant to this Agreement, California Montessori Project shall provide a certificate indicating the existence of Workers' Compensation coverage as required by this Agreement, on an insurance certificate executed by a duly-authorized agent of California Montessori Project's insurance provider.
- L Injury and Illness Prevention: California Montessori Project shall maintain and enforce an Injury and Illness Prevention Program as required by State law, and in signing this Agreement, makes the following certification: "California Montessori Project is aware of the provisions of California Labor Code, Division 5, and of the California Code of Regulations, Title 8, and shall maintain an active Injury and Illness Prevention Plan in accordance with such provisions before commencing the performance of this Agreement." The Injury and Illness Prevention Plan shall be available to EGUSD upon request.

VIII. HUMAN RESOURCES MANAGEMENT

Employees of the Charter School are solely the employees of the Charter School. As such, the Charter School shall have the sole responsibility for employment management, dismissal, and discipline of its employees.

- A. The Charter School will conform to the laws regarding background checks and fingerprinting and credentialing. Teacher of core academic subjects shall be held to the same credentialing standard as teachers in the public schools. No Charter School teacher shall be maintained in employment without compliance with Education Code Section 47605(l).

IX. EVALUATION OF EDUCATIONAL PROGRAMS/CONFORMANCE TO CHARTER

- A. Oversight monitoring of the Charter School shall be in conformance with District Board policy and the terms of the approved charter. At the District's request, Charter School and District personnel shall meet to discuss areas of concern, review and monitor records and student progress. In addition, the Charter School shall furnish the District with an annual report and evaluation of its educational program as further outlined herein.
- B. The Charter School agrees to administer the current statewide mandated performance assessments. Results of such statewide assessments shall be provided to the District within one month of receipt by the Charter School.

- C. The Board of Directors shall be responsible for operating the Charter School in conformance with the provisions of the approved charter and this MOU.
- D. It is agreed that the availability of instructional materials is critical to the learning process, including, but not limited to, textbooks and other materials that supplement the delivery of a solid core curriculum. The Charter School recognizes that these instructional materials must be in adequate supply.

X. SPECIAL PROGRAM/SERVICES

- A. In the event that either party to this agreement wishes to have its staff and or faculty participate in a program offered by the other, advanced approval and arrangements must be made. It is fully recognized that expenses for such events are negotiable at the time of the event. Such arrangements must be made with the appropriate site administrator or District personnel in advance and confirmed in writing.

XI. CHARTER SCHOOL POLICIES AND PROCEDURES

- A. Copies of all Charter School Policies and Procedures shall be provided to the District promptly upon adoption by the Charter School. Any revised amended or deleted policies shall also be forwarded to the District.
- B. The Charter School shall maintain an anti-nepotism policy, which shall be provided to the District and a conflicts code which shall align with the approved charter. Additionally, persons related by blood or by marriage to a charter school employee shall not be appointed to a position where one relative would be in a supervisory position over another. Any employment of relatives outside of the restrictions herein noted must receive prior approval of the Charter School Board.
- C. The Charter School shall maintain a conflicts of interest policy, which shall be aligned to the charter and provided to the District. This policy shall reflect compliance of the governance structure of the charter school with the California Corporations Code and the Government Code's Political Reform Act. The Charter School agrees that it is responsible for complying with ethics and conflict of interests laws that may apply to it. The Charter School has not received advice or authorization from District regarding its obligations under these laws.

XII. STUDENT RECORDS

- A. The Charter School hereby irrevocably designates employees of the District as having a legitimate educational interest such that they are entitled to access to education records of Charter School students under 20 U.S.C.A 1232g, the Family Educational Rights and Privacy Act and California Education Code 49076(b)(6) ("FERPA"). Charter School, its officers and employees shall comply with FERPA at all times.

XIII. BROWN ACT/PUBLIC RECORDS

The Charter School shall fully conform to the Brown Act. The Brown Act requires school boards to conduct their business in pre-announced and azenized open session unless specific conditions exist that justify the meeting of a board in closed session. In addition, all of the Charter School's records that relate in any way to the operation of the Charter School, including without limitation all of the records of the nonprofit corporation operating the Charter School, and any other entity to the extent it participates in the operation of the Charter School, are deemed to be subject to the requirements of the Public Records Act (Government Code Section 6250, et seq.) as well as Education Code Section 47604.3.

XIV. LEGAL SERVICES/OTHER SERVICES

Charter School will be responsible for procuring its counsel and the costs of such service. Charter School reserves the right to subcontract any and all services specified in this agreement to the District and/or to public or private subcontractors as permitted by law and as available from the District. Charter School shall immediately inform the District of any contracts it enters.

XV. NO AGENCY RELATIONSHIP

No agent, employee, or servant of the Charter School shall be deemed to be the employee, agent or servant of the District except as expressly acknowledged in writing by the District. Charter School will be solely and entirely responsible for its acts and for the acts of Charter School's agents, employees, servants and subcontractors while acting under Charter School's direction during the entire term of this agreement.

XVI. SEVERABILITY

If any provision or any part of this agreement is for any reason held to be invalid and or unenforceable or contrary to public policy, law or statute and/or ordinance, the remainder of this agreement shall not be affected thereby and shall remain valid and fully enforceable.

XVII. NOTIFICATION

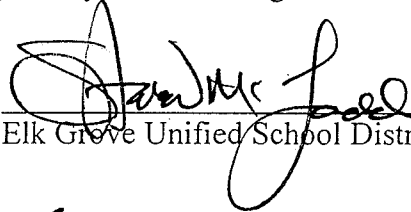
All notices, requests and other communication under this agreement shall be in writing and mailed to the proper address as follows:

To the District at: 9510 Elk Grove-Florin Rd., Elk Grove, CA 95624

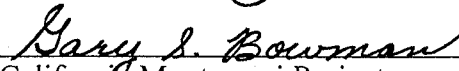
To the Charter School at: California Montessori Project, 4718 Eagle Rd., Ste. K, Carmichael, CA 95608.

This agreement contains the entire agreement of the parties with respect to the matters covered hereby, and supersedes any oral or written understanding or agreements between the parties with respect to the subject matter of this agreement. No person or party is authorized to make any representations or warranties except as set forth herein, and no agreement, statement, representation or promise by any party hereto which is not contained herein shall be valid or binding. The undersigned acknowledges that she/he has not relied upon any warranties, representations, statements or promises by any of the parties herein or any of their agents or consultant except as may be expressly set forth in this Agreement. The parties further recognize that this agreement shall only be modified in writing and by the mutual agreement of the parties.

Dated: _____


Elk Grove Unified School District

Dated: JUNE 23, 2006


Gary S. Bowman
California Montessori Project
Charter School- Elk Grove Campus

I. Financial Plan – Reasonably comprehensive: First Review Finding – Not Sufficient

- 1) The planning assumptions were not clearly identified or apparent.
 - a) There was no basis for the projected enrollment increases or the ADA percentage.
 - b) There were different numbers, throughout the document for the current enrollment and ADA.
 - c) The basis for the revenue assumptions was not apparent.
 - d) Page 24 of the *Multi-Year Strategic Plan* states that the charter school will apply for a “working capital loan” through the California Charter Schools Association but there is no explanation of the circumstances that would make such a loan necessary, the likelihood of the loan being approved nor any plan for repayment of the loan.
 - e) Page 24 also states the charter school’s intent to participate in the district’s annual cash flow borrowing through issuance of a Tax Revenue Anticipation Note (TRAN). This issue was not discussed with Elk Grove Unified School District (EGUSD) to ascertain whether such participation was desirable and/or feasible.
 - f) Page 23 of this document stated that CMP expected to receive \$80,000 per year for the next five years from EGUSD. These funds were identified as “Prop 39 funds”. The district had received conflicting information as to whether the charter school would seek to exercise its right to facilities under Proposition 39 and needed the facilities issued clarified.

Charter School Response:

- 1) Enrollment and ADA assumptions:
 - a) The projected enrollment numbers are based on a combination of factors, including waiting lists, space availability, and CMP’s emphasis on creating small school learning communities. A review of CMP-Elk Grove enrollment dating back to the 2002-03 school year clearly indicated that, by intent, the student growth is “leveling off”. CMP-Elk Grove originally anticipated expanding the grades served to include both a seventh and eighth grade class. The Charter Petition now reflects a seventh grade of 10 students and the eighth grade class is no longer included in the 06-07 year. It is anticipated that an eighth grade class will be added in 2007-08.
 CMP’s ADA projections are based on historical data, as well as an emphasis on the importance of the daily attendance of every student. CMP has implemented an attendance incentive program (by class as well as schoolwide) and has prioritized raising the ADA rate. CMP-Elk Grove is a site-based program, and all students are expected to attend classes daily. CMP encourages parents to commit to their children’s daily attendance, and to utilize short-term independent study only in situations where the child’s attendance is not practical (i.e. extended illness, necessary family travel etc.).
 - b) There were errors in the Multi-Year Strategic Plan and Petition regarding the student enrollment. Those errors have been corrected.
 - c) Revenue estimates, per program, generally follow the School Services budget information and have been updated to reflect the current “dartboard” projections for future years. Because CMP was one school and now is becoming five, each site is being considered a first year school by CDE. They will be assigned a new CDS code. Their funding schedule for 06/07 is that for a first year school and the cash flow projection reflects this change.
 - d) In the Multi Year Strategic Fiscal Plan (MYSFP), CMP did not need a Revolving Loan for solvency and has not yet applied for one. We cannot do so until our Petition has been approved.
 - e) As indicated in the MYSFP, CMP recognizes the potential need for short-term borrowing options due to the school’s growth and the revenue timing situation. Those options include State Revolving Charter School Loan, possible TRAN through district, commercial borrowing, etc. In the Cash Flow Projection two cash flow options were consciously included: one with a sample \$250k revolving loan and the second without the loan. CMP believes that because of the strong Ending Balance, this will not be necessary.
 - f) The projected revenue of \$80,000 per year, identified as “Prop 39 funds,” to be paid over the next five years, is in recognition of CMP’s historical, and current, Proposition 39 arrangement with EGUSD. CMP Executive Director/Superintendent Gary Bowman has stated that he believes the utilization of Proposition 55 monies would pre-empt the necessity of requesting Proposition 39 funds, at that point when the facility needs of the students were met through the acquisition of facilities through Proposition 55 monies. It is the understanding of Mr. Bowman that the CMP lease for the current school site leased through the Elk Grove Community Services District will not be renewed after the 2006-07 school year. Whereas Proposition 55 funds will be used to purchase property and develop a school campus, the precise timing of the opening of the new school is difficult to predict.

Final Review Finding for the Financial Plan: Sufficient**First Review Finding: Not sufficient**

- 2) The cost assumptions were either not identified and/or did not reasonably relate to prevailing or market rates.

Charter School Response:

- 2) CMP historically has been extremely successful in recruiting and retaining staff at the total compensation package offered. In the “competitive total compensation” citation, staff satisfaction and teacher empowerment are important ingredients that are not always considered when considering “competitive total compensation”. At the same time, CMP continues to strive to improve the package for all staff, which, in recent years has included pay and salary increases and creation of stipend opportunities, as well as a reduction in the number of annual work days.

Final Review Finding for Cost Assumptions: Sufficient

II. Annual Operating Budget: First Review Finding: Not Sufficient

- 1) Revenue assumptions were not in line with state guidelines. The funding amounts did not recognize that much of the funding will be based upon the prior year ADA.
- 2) Expenditures did not reflect prevailing or market costs.
 - a) The expenditures used in the multi-year strategic plan seem very low.
 - b) Salary and benefits comprise only 65% of the yearly budget. The norm for public school districts are 80-85% (or higher).
 - c) There was no budget allocation for PERS payments even though the petition stated that PERS will be offered to classified employees.
 - d) The per student allocation for textbooks is too low. The allocation is \$20 per K-3 student and \$30 for grades 4-8.

Charter School Response:

- 1) The block grant funding rate assumption is based upon prior year rate plus an assumed and identified COLA.
- 2) Expenditures did not reflect prevailing or market costs.
 - a) It is 100% accurate that EGUSD salaries are higher than those projected for CMP-Elk Grove Charter School. However, it should be noted that teachers and principals have the opportunity to increase their income through various avenues, including assumption of mentorship or other leadership roles, etc.
 - b) Currently, CMP Classified Employees only participate in Social Security. It should be noted that, whereas CMP had planned to initiate the PERS program to classified staff commencing in the 2006-07 school year, CMP is currently re-assessing the viability of that decision, based on factors related to re-organization (i.e. potentially 4 separate authorizers). Currently, CMP classified employees only participate in Social Security. At such time that CMP elects to provide PERS to Classified Employees, it is anticipated that PERS payments would be processed by Wheatland Elementary School District Business Services through Yuba County, or, if preferred or necessary, through Sacramento County.
 - c) In reviewing the Petition it is important to note that \$50k has been included each year in the books and supplies categories for the school to use at its discretion. For a School with 300 +/- students, this is significant. Also, in contrast with non-Montessori schools, there is far less use of consumable instructional supplies. Montessori schools purchase and use classroom materials that have a shelf life of many years.
 - d) The expenditure projection was consciously built at a level lower than the projected revenue stream because of the uncertainty over the facility structure/costs for future years. It is far easier to transfer monies from a healthy reserve account to handle yet unidentified cost factors than it is to reduce planned expenditures.

Final Review Finding for Annual Operating Budget: Sufficient

III. Cash Flow Analysis: Not Sufficient

- 1) The cash flow projection does not reflect prevailing revenue receipts that are in line with state funding disbursements.
 - a) The amounts do not seem to recognize that much of the funding will be based upon prior year data for a significant portion of the year i.e. block grant funding, lottery etc.
 - b) The cash flow statement does not recognize funding schedules for state funds.

Charter School Response:

The block grant funding rate assumption is based upon prior year rate plus an assumed and identified COLA. Please refer to the revised cash flow projection.

Final Review Finding for Cash Flow Analysis: Sufficient

IV. District Impact Statement: Not Sufficient

- 1) The developers do not provide a clear estimate of the number of district resident student enrollment. The Multi-Year Strategic Plan states that "Students attending CMP Charter School, Elk Grove campus come both from within the boundaries of the Elk Grove Unified School District as well as from outside district boundaries." It goes on to state that over 90% will be resident students but there is nothing to support that assumption.
- 2) The charter developers do not provide the district with detailed estimated enrollment data that allows the district to model potential reduction in enrollment and budget impact, including whether the anticipated student body would include existing district residents. There is no basis for the projected enrollment increases or where their growth students are coming from (current district students or new arrivals to the area).
- 3) The developers do not identify specific proposed support service needs and associated payments to district for services rendered, ideally in the form of a clearly drafted contract or agreement. The charter gives no details about which services would be purchased from what entity.

Charter School Response:

- 1) CMP Elk Grove Charter School campus will, in a timely manner, provide EGUSD with the names and addresses of resident students attending the Elk Grove campus.
- 2) The projected enrollment numbers are based on a combination of factors, including waiting lists, space availability, and CMP's emphasis on creating small school learning communities. A review of CMP-Elk Grove enrollment dating back to the 2002-03 school year clearly indicates that, by intent, the student growth is "leveling off."

Specifically, in the 2006-07 school year, the classroom currently dedicated for use as a before and after-school program will be used to provide for additional school-hour classroom space, further facilitating the projected growth of 20 students at CMP-Elk Grove. It is anticipated that the primary area of student growth at CMP-Elk Grove will result from new enrollment of kindergarten students, at an in-district rate consistent with the school's current rate.

The historical and projected student enrollment at CMP, Elk Grove campus is:

2002-03 158 students

2003-04 199 students

2004-05 225 students

2005-06 240 students

2006-07 260 students

3) All public contract codes and laws/regulations that apply to charter schools for the procurement of professional services will be followed. On-going evaluation of current professional service providers will continue (there will be no guaranteed long-term contracts for attorney, fiscal consultant, architect, engineer, grant writer, et al.) RFP/RFQ (request for proposal and request for quote) will be used, when applicable for professional services.

While both parties (CMP and Wheatland) are anxious to move forward in drafting Business Services MOU for 2006-07, and beyond, we believe it is premature to do so, until such time as CMP has received authorization for its five school sites.

Final Review Finding for District Impact Statement: Sufficient

Attachments: Submitted in response to the above questions

1. CMP Cash Flow Ratios Worksheet (pages 1 and 2 of 9)
2. CMP Cash Flow (pages 3-9 of 9)
3. Key Variables Worksheet – Student Enrollment Data
4. Student ADA Data
5. Multi-Year Budget Summary – Revenues
6. Key Variables Worksheet – State Funding Data (Section IV: Pages 11-12)
7. Multi-Year Budget Summary – Expenditures
8. Key Variables Worksheet – School Staffing Data (Section IV: Pages 13, 15-20 and Section V: Pages 3-5)
9. Key Variables Worksheet – Books, Supplies & Operating Costs (Section IV: Pages 21-23 and Section V: Pages 6-9)

Available upon request:

1. Unaudited Actuals for 2002/03, 2003/04 and 2004/05
2. Audit Reports for 2001/02, 2002/03, and 2003/04