



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

January 31, 2025

Lauren Daley, Foundation Co-President
Jolene Yee, Foundation Co-President
Cathy Adams, Head of School
Napa Foundation for Options in Education
Mayacamas Charter Middle School
983 Napa St.
Napa, CA 94559

Subject: 2024-25 First Interim Financial Report – Alternative Form

Dear Co-Presidents Daley and Yee and Head of School Adams,

The Napa County Office of Education (NCOE) has contracted with the Fiscal Crisis Management Assistance Team (FCMAT) to perform its statutorily required oversight responsibilities for Mayacamas Countywide Middle School (MCMS-2) during the 2024-25 fiscal year. FCMAT's role is to support the charter school in fulfilling the requirements of its petition and memorandum of understanding with NCOE, as well as to provide guidance in maintaining fiscal solvency.

First Interim Financial Report

This letter confirms that NCOE received MCMS-2's 2024-25 First Interim Financial Report by the December 15 deadline, in compliance with Education Code 47604.32 and 47604.33. The Napa Foundation for Options in Education (NFOE) Board of Directors formally adopted the 2024-25 First Interim Financial Report – Alternative Form for MCMS-2 at its meeting on December 5, 2024.

This letter summarizes FCMAT's and NCOE's review of the MCMS-2 documents submitted for the first interim reporting period, spanning July 1, 2024 through October 31, 2024. Technical comments and questions regarding the submitted data were provided to ExED Vice President of School Finance Franci Sassin, who provides back-office support to the charter school.

Local Control and Accountability Plan

At the request of NCOE and FCMAT, the charter school held a public hearing, and the NFOE board formally adopted the MCMS-2 2024-25 Local Control and Accountability Plan (LCAP) and budget at its meeting on December 5, 2024. This letter confirms receipt of the charter school's 2024-25 LCAP, which was submitted on time with its first interim financial report, as requested. FCMAT and NCOE provided minor technical recommendations on the LCFF [Local Control Funding Formula] Budget Overview for Parents (BOP), Increased or Improved Services for Foster Youth, English Learners, and Low-Income Students, and Total Planned Expenditures Table, to MCMS-2 and Franci Sassin.

As a reminder, charter schools must present a report on the annual update to the LCAP and the LCFF BOP to their local governing boards on or before February 28 each year ([California Department of Education \[CDE\]](https://www.cde.ca.gov/ls/eng/2024/20240228LCAPBOP.asp)). While there is no required template for the midyear update report, the CDE states that it must

include “all available midyear outcome data related to the metrics identified in the current year’s LCAP and all available midyear expense and implementation data on all actions included in the current year’s LCAP.”

Enrollment and Unduplicated Pupil Percentage

While FCMAT and NCOE acknowledge the recruitment efforts of NFOE and MCMS-2 during this challenging school year, the charter school has not met its projected 2024-25 enrollment of 150 students outlined in its petition. As of the first interim reporting period, enrollment is estimated at 127 students. Figure 1 below shows the charter school’s 2024-25 enrollment, average daily attendance (ADA) and unduplicated pupil count¹ (UPC) estimates.

Mayacamas Countywide Middle School Enrollment, Average Daily Attendance and Unduplicated Pupil Count Estimates, May 2024 – October 31, 2024

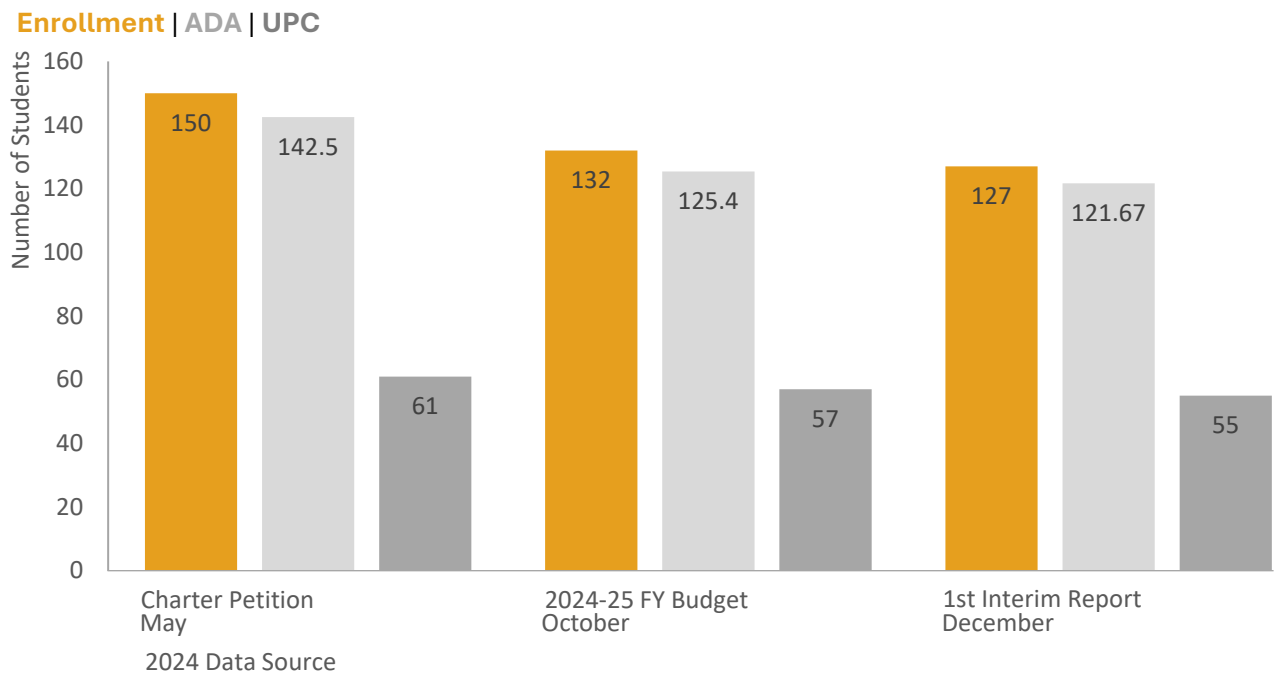


Figure 1. Bar chart showing that estimated student enrollment stands at 127, falling short of the 150 students projected in the MCMS-2 petition.

Sources: Mayacamas Countywide Middle charter petition, 2024-25 fiscal year budget and first interim report.

FCMAT and NCOE also note that the charter school is working to increase its unduplicated pupil percentage (UPP) to better reflect the local community. It appears to have met its projected 2024-25 UPP of 43%, as outlined in its petition.

Mayacamas Countywide Middle School’s NFOE board-approved 2024-25 first interim multiyear financial projection (MYFP) includes projected enrollment increases for both subsequent years. For 2025-26, MCMS-2 estimates enrollment will reach 220, reflecting a 73% increase and an additional \$1,010,287 in LCFF revenue compared to the current year. By 2026-27, enrollment is projected to grow to 270, a 23% increase from the previous year, generating an additional \$624,388 in LCFF revenue.

At the request of FCMAT and NCOE, MCMS-2 submitted an alternate scenario with its MYFP to the NFOE board for discussion at its December 2024 meeting. This scenario projects only slight enrollment increases in the subsequent years, with enrollment projected to grow by 6% to 135 students in 2025-26 and by 11% to

¹The UPC includes students who are English learners, foster youth, or eligible for free or reduced-price meal. Each student is only counted once, even if they qualify under multiple categories.

150 students in 2026-27. These adjustments result in additional LCFF revenue of \$117,878 for 2025-26 and \$218,226 for 2026-27.

According to FCMAT's *Indicators of Risk or Potential Insolvency for California Charter Schools*, unstable enrollment and/or ADA is a key fiscal indicator in assessing a charter school's fiscal solvency because these factors significantly impact revenues and expenditures. Enrollment and attendance not only determine a charter school's LCFF funding — its primary revenue source — but also influence staffing levels, which typically comprise the majority of expenditures. Therefore, it is essential that MCMS-2 continue to update its enrollment and ADA projections and closely monitor actual enrollment and attendance data.

To ensure MCMS-2's fiscal solvency, it is imperative that NFOE continue to take the following actions:

- Maintain student recruitment efforts.
 - Provide preliminary 2025-26 enrollment data to NCOE with the second interim financial report.
- Closely monitor actual enrollment and attendance data in comparison to projections.
- Provide monthly enrollment reports to its board and NCOE.
- Develop additional MYFP scenarios for MCMS-2 with varying levels of projected enrollment and UPCs in subsequent years. These scenarios should:
 - Include best- and worst-case enrollment and UPC projections.
 - Incorporate appropriate staffing and expenditure adjustments.
 - Be presented to the NFOE board of directors for discussion.
 - Be used to develop contingency plans if student enrollment continues to fall significantly short of projections.
 - Be submitted to NCOE with required budget reports (e.g., first interim report, adopted budget, June estimated actuals).

Revenue

Local Control Funding Formula

Mayacamas Countywide Middle School's 2024-25 first interim budget includes a 1.07% cost-of-living adjustment (COLA) for 2024-25, with an estimated LCFF apportionment of approximately \$1,368,479. Its MYFPs assume LCFF funding increases of 1.00% in 2025-26 and 2.00% in 2026-27. MCMS-2's COLA estimates are lower than the Department of Finance's projections in the 2024-25 adopted state budget, which anticipates a 2.93% increase for 2025-26 and 3.08% for 2026-27.

Every Student Succeeds Act Federal Revenue

Mayacamas Countywide Middle School's 2024-25 first interim budget includes an estimated \$20,206 in funding through Titles I and II of the Every Student Succeeds Act (ESSA). As of October 25, 2024, the charter school had not filed its application for funding or its Federal LCAP Addendum in the state's Consolidated Application and Reporting System (CARS).^{2,3} MCMS-2 presented its 2024-25 LCAP Federal

²California Department of Education. (2024). *Title I, Part A allocations for 2024–2025* [Data file]. Retrieved from <https://www.cde.ca.gov/fg/fo/r14/documents/title1pa24alloc3.xlsx>.

³California Department of Education. (2024). *Title II, Part A allocations for 2024–2025* [Data file]. Retrieved from <https://www.cde.ca.gov/fg/fo/r14/documents/title2pa24alloc3.xlsx>.

Addendum and Request for Schoolwide Status for ESEA [Elementary and Secondary Education Act] Federal Funding for board approval at the December 5, 2024 meeting. It is essential that the charter school submit its application for funding and Federal LCAP Addendum in CARS by March 31, 2025.

Ending Net Position

Mayacamas Countywide Middle School's 2024-25 First Interim Financial Report indicates a net position of \$16,709 for the period ending June 30, 2025, which is \$79,320 less than the estimate in the revised budget approved by the NFOE board in October 2024. Based on the total projected expenditures, the charter school would need to have an ending net position of approximately \$107,000 to meet the 5% minimum reserve for economic uncertainties required by its memorandum of understanding with NCOE. However, the MYFP indicates that the charter school is expected to meet the 5% minimum reserve requirement in subsequent years due to projected increases in enrollment and funding. The charter school anticipates ending with a net position of \$525,151 in 2025-26 and \$763,483 in 2026-27.

As discussed in the "Enrollment and Unduplicated Pupil Percentage" section of this letter, MCMS-2 developed an alternative MYFP scenario that projected lower enrollment for the subsequent years. This scenario also includes expenditure reductions of approximately \$600,000 for 2025-26 and \$1,500,000 for 2026-27 compared to the NFOE board-approved MYFP.

It is important for MCMS-2 and NFOE to consider this scenario while developing the 2025-26 budget. If enrollment recruitment efforts do not meet the projected growth of 93 students in 2025-26, NFOE should have a plan to implement the necessary budget adjustments to maintain the charter school's fiscal solvency and ensure it meets the 5% minimum reserve requirement for economic uncertainties.

Before submitting the charter school's 2024-25 second interim financial report, FCMAT and NCOE strongly advise the NFOE board to explore all options and implement the budget adjustments necessary to meet the minimum reserve for economic uncertainties and maintain fiscal solvency for 2024-25. To achieve the **required** 5% reserve, the board must increase revenues or reduce expenditures by approximately \$81,000 in the current year.

Cash Balance Analysis

Startup charter schools like MCMS-2 often face cash flow challenges because the timing of receiving state and federal public funding does not always align with their monthly operating expenses. As a result, MCMS-2 must continue to closely monitor its cash flow to ensure it has sufficient funds to cover all operating expenses.

As of the first interim report, the charter school's projected ending cash balance for 2024-25 is \$103,583, equating to a projected 5% cash balance. This balance includes approximately \$116,000 in short-term loans borrowed in 2024-25 to address cash flow issues.

One key metric for assessing a charter school's financial health is "cash in hand," which refers to the number of days the school's readily available cash can cover daily operating expenses. According to the cash flow projection submitted at first interim, MCMS-2's cash in hand is 20 days. This means the charter school has enough cash to sustain operations for 20 days without additional income or funding.

To ensure MCMS-2's fiscal solvency, NFOE should continue to follow best practices for cash management, including:

- Preparing and regularly updating 18- to 24-month cash flow projections.
- Incorporating actuals from the previous month into cash flow projections.

- Providing updated cash flow projections at monthly NFOE board meetings.
- Submitting to NCOE copies of the cash flow projections provided at monthly NFOE board meetings.

The NFOE board should also set a goal to gradually increase the number of days of the charter school's "cash in hand."

FCMAT extends its appreciation to MCMS-2 for its continuing cooperation and assistance during the 2024-25 first interim review. If you have questions regarding this letter or the review process, please do not hesitate to contact me at (530) 919-4931 or rmanansala-smith@fcmat.org, or NCOE Deputy Superintendent Joshua Schultz at (707) 253-6832.

Sincerely,

A handwritten signature in black ink, appearing to read "R Manansala-Smith", with a stylized flourish at the end.

Roslynne Manansala-Smith, CFE
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(530) 919-4931

CC: Barbara Nemko, Ph.D., Napa County Superintendent of Schools
Joshua Schultz, MBA, Deputy Superintendent, Napa County Office of Education
Carolynne Beno, Ed.D., CFE, FCMAT Chief Analyst