

BERKELEY UNIFIED SCHOOL DISTRICT REALM Charter School Request for Material Revision

DETERMINATION HEARING

APRIL 17, 2018



Procedural History

June 9, 2010: Board grants two petitions to form the REALM Charter Middle School and REALM Charter High School for five-year terms

December 9, 2015: Board grants request to renew REALM charters for additional 5-year terms (2016-2021)

Renewal Staff Report - 2015

Conditions of Renewal

- Resubmission of multi-year projections for the Charter School.
- Reductions in expenditures in excess of \$673,000 to reduce the Charter School's deficit spending and negative fund balance.
- Submission of monthly budgets to the District, including updates and cash flow, until resolution of the negative fund balance and a 3% reserved was achieved.
- Response to District concerns and request for information expressed in prior fiscal oversight letters.
- No further advances on the payment of REALM's in lieu property taxes under Education Code section 47635.

REALM High School Request for Material Revision

Submitted February 23, 2018

Requests adding REALM Middle School
to REALM High School Charter

Both schools would operate under
single charter

REALM High School Request for Material Revision

Board Procedure

- Board conducted public hearing April 11, 2018
- Board will make determination on request tonight
- Material revision will be evaluated under the criteria set forth in the Education Code
- Board decision is final – no appeal process

REALM High School Request for Material Revision

- Requests for material revision “are governed by the standards and criteria in [Education Code] Section 47605.” (Ed. Code §47607)
- **Statutory grounds for denial:**
 - Unsound educational program
 - Petitioners demonstrably unlikely to successfully implement program
 - Affirmations not “clear, unequivocal”
 - Lacks reasonably comprehensive descriptions of the 15 charter criteria
 - Lacks declaration regarding collective bargaining

REALM High School Request for Material Revision

“Reasonably comprehensive” descriptions of 15 criteria:

- Description of educational program
- Measurable pupil outcomes
- Method for assessing pupil progress
- Governance structure of the school
- Employee qualifications
- Health & safety procedures
- Means to achieve race/ethnic balance
- Admission requirements, if applicable

REALM High School Request for Material Revision

“Reasonably comprehensive” descriptions of 15 criteria
(continued):

- Manner in which annual independent financial audits shall be conducted
- Student suspension & expulsion procedures
- Staff coverage by State Teachers’ Retirement System, Public Employees’ Retirement System or Social Security
- Public school attendance alternatives
- District employee leave & return rights
- Dispute resolution process
- Procedures for closure of school

Evaluation of Material Revision Multi-Year Projection

SACS Code Description		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue						
	State	3,562,031	5,854,807	6,518,829	7,370,269	7,659,300
	Federal	198,833	320,483	330,170	339,673	340,404
	Local	484,027	739,476	765,540	765,668	765,797
	Total Revenue	\$ 4,244,891	\$6,914,766	\$7,614,539	\$8,475,609	\$8,765,501
Expenses						
1000	Certificated Salaries	1,448,792	2,333,918	2,389,153	2,436,936	2,514,349
2000	Classified Salaries	366,647	502,054	512,095	522,337	650,185
3000	Benefits	433,920	737,316	801,288	848,145	875,088
4000	Books and Supplies	126,008	189,469	195,191	201,359	207,756
5000	Services and Other Operating Exp	1,370,592	2,183,067	2,214,578	2,266,242	2,296,223
6000	Capital Outlay	162,570	208,068	208,068	208,068	208,068
7000	Other Outgoing	4,500	4,000			
	Total Expenses	\$ 3,913,029	\$6,157,891	\$6,320,373	\$6,483,087	\$6,751,669
Surplus / (Deficit)		\$ 331,861	\$ 756,875	\$1,294,166	\$1,992,523	\$2,013,832
As a % of LCFF revenue		11%	15%	22%	30%	29%
Beginning Balance		(178,309)	(1,110,406)	(353,531)	940,635	2,933,158
Cash + Net AR/AP						
Ending Balance		\$ 153,552	\$ (353,531)	\$ 940,635	\$2,933,158	\$4,946,990
As a % of expenditures		4%	-6%	15%	45%	73%
MS EFB		(1,263,958)				
TOTAL EFB		\$(1,110,406)				

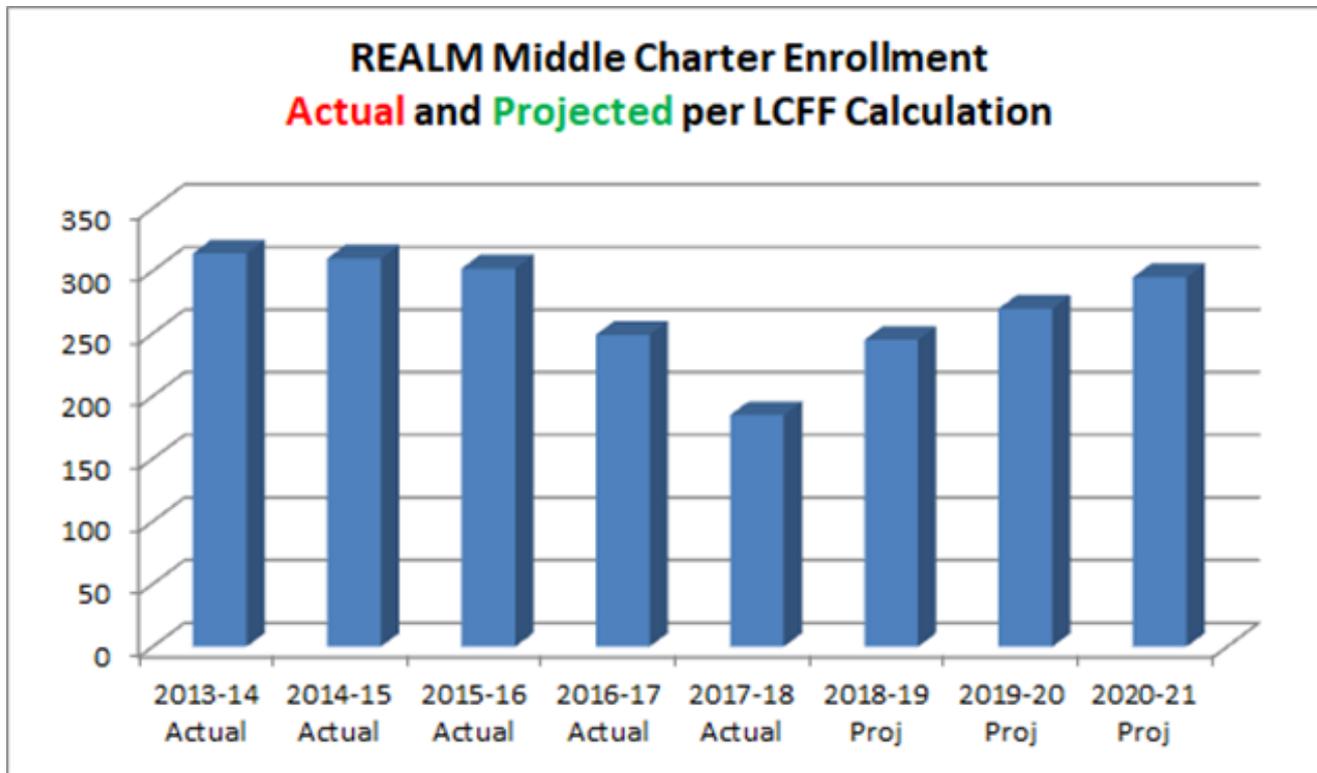
Evaluation of Material Revision

Projected Enrollment

Enrollment	Consolidated per Material Revision						
	2017-18	2018-19	Change	2019-20	Change	2020-21	Change
Grade 6	40	60	20	70	10	90	20
Grade 7	55	70	15	75	5	90	15
Grade 8	90	75	-15	95	20	95	0
Grade 9	88	100	12	110	10	115	5
Grade 10	84	95	11	100	5	110	10
Grade 11	75	84	9	90	6	95	5
Grade 12	85	75	-10	75	0	85	10
	517	559	42	615	56	680	65

Evaluation of Material Revision

Historic Enrollment



Evaluation of Material Revision

Projected Budget without ADA Increases (Performed by District)

Description	FY 2017/18			FY 2018/19			FY 2019/20		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<i>projected enrollment</i>			521			521			521
Total Revenues	5,412,493	897,858	6,310,351	5,663,623	862,333	6,525,956	5,793,443	898,901	6,692,344
Total Expenditures	4,352,518	1,292,754	5,645,272	4,645,145	1,382,440	6,027,585	4,716,254	1,426,812	6,143,066
Excess (Deficiency) of Revenues Over Expenditures Before Other Sources and Uses	1,059,975	(394,896)	665,079	1,018,478	(520,107)	498,371	1,077,189	(527,911)	549,278
Contribution to Restricted Programs	(394,896)	394,896	-	(520,107)	520,107	-	(527,911)	527,911	-
Net Increase (Decrease) in Fund Balance	665,079	-	665,079	498,371	-	498,371	549,278	-	549,278
Beginning Fund Balance	(1,698,717)	-	(1,698,717)	(1,033,638)	-	-	(535,267)	-	-
Ending Fund Balance, June 30	(1,033,638)	-	(1,033,638)	(535,267)	-	498,371	14,011	-	549,278

Evaluation of Material Revision

Conclusions

REALM's update to the 15 elements of the charter meets legal requirements under the "reasonably comprehensive" standard.

However, there are questions as to whether REALM will be demonstrably likely to successfully implement the changes in the material revision

Evaluation of Material Revision

Conclusions

REALM high school, with its larger ending fund balance, is in a better position to absorb the middle school's expenses

However, the material revision depends upon returning to prior ADA levels

Without ADA increases, the school would still have negative ending fund balances

REALM's middle school enrollment is in a 3-year decline