AGENDA – EXECUTIVE COMMITTEE MEETING

Charter SELPA:
David M. Toston, Associate Superintendent
Ginese Quann, Charter SELPA Director
Robert Steponovich, SELPA Business Services Director
Vicki L. Barber, Retired EDCOE Supt. of Schools
Francie Heim, EDCOE/Charter SELPA Consultant
Kathleen Hall, Administrative Assistant

Executive Committee Members:
Mary Searcy Bixby, Altus Schools
Cindy Petersen, Gateway Community Charters
Pat Hill, Learn4Life
David Sciaretta, Einstein Academies
Tim Wolf, King-Chavez Charter Schools
Debi Gooding, The Learning Center
Jean Hatch, Redding School of the Arts
Jonathan Dean, The O'Farrell Charter School
J.J. Lewis, Compass Charter Schools
Lisa Freccero, Aspire Public Schools
Lynne Alipio, Altus Schools
Paul Keefer, Pacific Charter Institute
Josh Drake, Rocketship Education
Julie Mattoon, KIPP Bay Area Schools
Melissa Mora, ACE Charter School
Karin Marsolais, Preuss School UCSD
Dawn Evenson, iLead Schools
DiAnne McClenahan, The Bay Group
Patricia Dougherty, Phoenix Charter Academy

1. Information Item

1.1 March 8, 2018 Executive Committee Meeting Minutes
A copy of the Minutes from the March 8, 2018 Executive Committee Meeting is included as Attachment 1.1.

2. Membership Update – Information

2.1 Approved Applicants for 2018/19 – Cohort 1 – 4
A list of all 2018-19 applicants for Cohort 1, 2, 3 and 4 was shared with CEO Council members for review and they were asked to contribute comments and/or concerns. The Selection Committee for Cohort 1 met on January 23, 2018 and approved nine new partners to the Charter SELPA. The Selection Committee for Cohort 2 met on March 13, 2018 and approved six new partners to the Charter SELPA. The Selection Committee for Cohort 3 met on May 8, 2018 and approved nine new partners to the Charter SELPA. Cohort 4’s submission deadline for expansions and/or SBE approved schools is July 31, 2018 for expansions and June 21, 2018 if there are new organizations, and the Selection Committee will meet on July 16, 2018 only to consider
the non-expansion applications submitted for Cohort 4. The current Membership Report is included as Attachment 2.1.

2.2 Charters Who May Be Leaving or Closing for 2018-19

The following charters have submitted notice to withdraw or appropriate documentation to the Charter SELPA for the 2018-19 school year:

- Aspire Titan
- Aspire Junior Collegiate Academy
- New Day Academy – Shasta – Closing and re-opening with a new CDS code
- Aspire University Charter – Closing and re-opening with a new CDS code
- Diego Hills
- Crescent View South
- Crescent Valley
- Ambassador Sanchez
- Alta Vista South
- Diego Springs
- Diego Valley
- Kings Valley
- Laurel Preparatory Academy
- San Diego Cooperative Charter School 2
- REALM Charter Middle
- Epiphany Prep Charter School, San Diego

We have had one mid-year closure, Paramount Collegiate Academy, which closed February 8, 2018.

3. 2018-19 Annual Service and Budget Plan – Information

The Charter SELPA is required to annually prepare a budget and service plan in the manner and format prescribed by CDE. The budgeted expenditure data for 2018-19 is based on prior year expenditure trends and projections for 2018-19 based on growth. The service plan is developed using CASEMIS student data for the SELPA and projections for 2018-19. Approval of the Annual Service and Budget Plan and the Local Plan are defined in CEO Policy 1 as follows:

Per CEO Policy 1 (Excerpts)

The Charter SELPA Local Plan is approved by the Governing Board of El Dorado County Office of Education. The Governing Board of the El Dorado County Office of Education will hold the required public hearings and approve the annual service plan and the annual budget plan. The plans shall be sent to all charter LEA members and communicated with the Charter SELPA CEO Council at the next regularly scheduled meeting. Notice of the public hearings shall be posted in each charter school at least 15 days prior to the hearing, as required by law.

Upon entry into the Charter SELPA, the Governing Board for each LEA charter shall approve the Charter SELPA Local Plan, the Agreement for Participation, and the Representations and Warranties. Material changes to the Local Plan, other than for
The Annual Budget and Service Plan for the Charter SELPA for 2018-19 has been prepared and will be presented at the May 24 CEO Council meeting and the June 5 El Dorado County Board of Education meeting. Pursuant to Ed Code, Charter SELPA members are required to post a notice of public hearing for the Annual Service and Budget Plans. Information is being sent to all members to post the public hearing notice 15 days prior to the May 24 CEO Council date (post by May 9) and 15 days prior to the June 5 El Dorado County Board of Education date (post by May 21). Public Notice of the hearings will be posted as required and, after the public hearings, the documents will be submitted to the California Department of Education. Copies of the actual Annual Budget and Service Plans are available at the SELPA office and can be emailed upon request.

4. **Funding Rates**
The Charter SELPA Allocation Plan requires that CEO Council is updated on 2017-18 and 2018-19 funding rate determinations, and approves the use of any funds from the Rate Smoothing Pool. Details on these fiscal updates are included in Attachment 4.

5. **SELPA Pool Updates/Legal Risk Pool Recommendation**
Executive Committee is presented with a SELPA Risk Pool update, which covers the following: Set-Aside Risk Pool, Low Incidence Pool, and Legal Risk Pool. Executive Committee input is requested on a transfer of pool funds recommendation to May CEO Council, which is included in Attachment 5.

6. **Organization Partner Definition Review**
In September 2013, the CEO Council created two categories of Partnership: Single Charter Partner and Organization Partner. Over the past few years, some schools have shifted to organizational structures that do not align with our current definition of an Organization Partner. Executive Committee input is requested to assist with updating our definition to align with current practices to maintain the benefits and efficiencies while sustaining appropriate levels of accountability. Details and recommendations are included in Attachment 6, entitled “Definition of Organization Partner.”

7. **Executive Committee Retreat/Dinner**
The annual Executive Committee Retreat/Dinner will take place Wednesday, May 23, 2018 at 5:30 p.m. at the DoubleTree by Hilton San Diego Mission Valley located at 7450 Hazard Center Drive in San Diego. Results of the recent CEO Survey will be discussed at the Retreat and CEO Executive Committee input is requested to help develop the format and potential agenda.

8. **SELPA Leadership Report**
MINUTES – EXECUTIVE COMMITTEE MEETING

*Denotes Participation

Charter SELPA:
*David M. Toston, Associate Superintendent
*Ginese Quann, Charter SELPA Director
*Robert Steponovich, SELPA Business Services Director

Executive Committee Members:
*Mary Searcy Bixby, Altus Schools
*Cindy Petersen, Gateway Community Charters
*Pat Hill, Learn4Life
*David Sciaretta, Einstein Academies
*Tim Wolf, King-Chavez Charter Schools
*Debi Gooding, The Learning Center
*Jean Hatch, Redding School of the Arts
*Jonathan Dean, The O'Farrell Charter School
*J.J. Lewis, Compass Charter Schools
Lisa Freccero, Aspire Public Schools

Lynne Alipio, Altus Schools
Paul Keefer, Pacific Charter Institute
Josh Drake, Rocketship Education
Julie Mattoon, KIPP Bay Area Schools
Melissa Mora, ACE Charter School
Karim Marsolais, Preuss School UCSD
Dawn Evenson, iLead Schools
*DiAnne McClanahan, The Bay Group
*Patricia Dougherty, Phoenix Charter Academy

Guests: *Jean Fagin, Leadership Public Schools; *Michele Walker, El Rancho Charter; *Virgi Rentee; REACH Leadership STEAM Academy; *Gokhan Serce, Magnolia; *Bre Lionetti, Kinetic Academy; *Jason Schrock, Valient Prep.; *Erin Craig, Unity Middle College; *Patrick Gaffney, Contra Costa School of Performing Arts; *Alison Garcia, CORE Placer Charter School; *Joanne Green, Dixon Montessori; *Paul MacGregor, Epic Charter School; *Holly Colangelo, Woodland Star Charter; *Eli Johnson, California Prep Sutter; *Craig Bowden, e3 Civic High; *Esther Perez, Valiente College Prep.; *Kapil Mathur, Orange County Academy of Sciences and Art; *Sharon Waller, Navigator Schools; *Christine Kuglen, Innovations Academy; *Germaine Nesbitt, The School of Arts and Enterprise; *Susan Park, The O'Farrell Charter School; *Soo Park, Leadership Public Schools; *Paul Khoury, Vista Heritage Charter; *Gina Wickwire, Temecula International Academy; *Kelly Mannion, River Montessori Charter; *Kale Elledge, Charter SELPA; *Don Wilson, Vista Charter Public Schools

1. Information Item

1.1 January 18, 2018 Executive Committee Meeting Minutes
A copy of the draft Minutes from the January 18, 2018 Executive Committee Meeting were included as Attachment 1.1.
2. **Membership Update – Information/Discussion**

2.1 ** Approved Applicants for 2018-19 – (Information Item)**

CEO Executive Committee was updated on the current status of the Charter SELPA membership and applications for membership in 2018/19. Please see Attachment 2.1 for details.

David Toston reviewed the Membership Report and reported the status of Cohort 2 – capacity interviews for Cohort 2 were held yesterday. Cohort 3, the final cohort, will accept applications until March 27th, 2018.

2.2 ** Charters Who May Be Leaving or Closing for 2018-19 (Information Item)**

At this point in time, the following charters have submitted a notice to withdraw or other appropriate documentation to the Charter SELPA for the 2018-19 school year. We have had one mid-year closure, Paramount Collegiate Academy, which closed February 8, 2018.

- Aspire Titan
- Aspire Junior Collegiate Academy
- New Day Academy - Shasta
- Aspire University Charter – Closing and re-opening with a new CDS code and new location.
- Diego Hills
- Crescent View South
- Crescent Valley
- Ambassador Sanchez
- Alta Vista South
- Diego Springs
- Diego Valley
- Kings Valley
- Laurel Preparatory Academy

The above listed schools are intending to close by June 30, 2018.

3. **Educationally Related Mental Health Services (ERMHS) Budget Update**

CEO Executive Committee was updated on the 2017-18 ERMHS budget to assure a transparent and predictable level of funding for Charter SELPA Partners. Please see Attachment 3, entitled ‘ERMHS Update,’ for details.

Bob Steponovich reviewed the ERMHS Budget Update, how our Allocation Plan defines the formula for mental health funding, and the process for the second and final Finding of Sufficiency.

Level three information shared: In 2016/17 the SELPA we had 58 total NPS placements – eight of those were residential placements. So far in 2017/18 the SELPA has 63 total NPS placements – 17 of those residential. We have increased examination of budgeting documentation to ensure the ISA’s are completely tied to student IEPs and the amounts in the budgets are truly eligible...
ERMHS expenditures. We expect any variance between budgeted and final expenditures to be smaller this year. The SELPA was able to either increase or maintain ERMHS reimbursement rates per priority in the Allocation Plan with a projected 7% reserve level at the end of the year. We will communicate this information to the field so that updated reimbursement amounts will be known. Details are included in Attachment 3, entitled ERMHS Update.

4. Accountability Update/ Charter SELPA Oversight Benchmarks (Information/Discussion)

4.1 Partner Oversight Update (Information Item)
The annual integrated oversight process of the SELPA is designed to identify areas of LEA support for both program and fiscal operations, as well as protect the SELPA as a whole from the loss of distributed funding. The oversight process consists of monitoring several metrics for all partners. They include:

1. Prior year unspent funds percentages
2. SpEd identification rates
3. Reviews of prior year independent audit reports
4. Complaints and compliance issues
5. SELPA meeting and professional learning participation
6. Other operational capacity measures

Throughout the year, the integrated oversight process involves Charter SELPA administration monitoring and analyzing these oversight metrics. CEO Executive Committee receives updates on the status of the integrated review process once prior year audit reports are filed and reviewed.

A document entitled “Partner Oversight Update” was included as Attachment 4.1.

Bob Steponovich reviewed each of the above listed metrics. Areas of note:

- **Unspent Funds**: Benchmarks are at 25% of unspent funds. Charters with unspent funds more than 25% are ineligible for federal funds. Carryover from prior year is spent before current funding is spent. Unspent funds that remain unspent revert to the legal risk pool.

- **Bob reviewed the summary of the results of the 2016-17 audit review. We look at the total health of an organization and compare audit to audit for an accurate representation, not just trends.**

5. **Budget Update**
Allocation Plan language requires CEO Council to review 2017-18 rates, set 2018-19 rates, and receive a report on the status of the rate-smoothing pool that was established in 2015-16. Details on the Budget Update were included in Attachment 5.
Executive Committee reviewed the following recommendation to CEO Council to set rates as follows:

- 2017-18 – The state funding rate is set at $514 before admin fee and set-aside for new charters.
- 2017-19 – The state funding rate is set at $514 before admin fee and set-aside for new charters (will be updated with Governor’s May revise and final COLA)

Deficit restoration for the past three years has been relatively consistent because of statewide property tax growth. Based on 2016-17, it appears that this consistency may not continue. Further, an economic recession impacting real property values and in turn tax revenues would negatively impact deficit restoration. As a result, SELPA leadership recommended a cautious approach to rate setting in the near term and building back up the balance of the Rate Smoothing Pool. This projection will be shared with the field.

6. SELPA CEO Council Meeting Format Review

CEO Executive Committee was asked for input on a review of the CEO Council meeting format. Please see Attachment 6 for details. Charter SELPA Leadership recently sent out a survey to gather information for a conversation with Executive Committee regarding the meeting structure of our CEO Council meetings. Results and comments were included in Attachment 6.

The results were evenly divided between preference for online meetings and in-person meetings. Comments in support of in-person meetings highlighted the ability to network at the meetings and the ability to fully attend to the meeting content. Comments in support of on-line meetings concentrated on travel costs and the time away from school sites required by in-person meetings.

We will revisit this topic in the future to gather perspective and ensure that the CEO Council meetings meet everyone’s needs.

7. SELPA Leadership Report

SB 1362

David shared information and a fact sheet on legislation recently introduced – SB 1362 (Beall), which calls for more local control of charter schools and managing the impact on special education and neighborhood public schools. He reported the Charter SELPA is working diligently to highlight the importance of the support we provide, and to further coordinate our efforts with our partners – CCSA and the Charter School Development Center, to oppose this legislation. A discussion was held on the current political climate and the potential negative impact of such legislation on charter schools. Members shared authorizer issues and pending litigation regarding charter schools impact on district funding. The fact sheet will be shared electronically with Executive Committee members.

Additional conversation regarding this topic will occur at our Executive Committee retreat.

8. May 2018 Retreat Planning

A discussion took place on current topics of interest to be discussed at the Executive
9. **Next Meeting Date**
The next regularly scheduled meeting of the Charter SELPA Executive Committee will take place Thursday, May 17th, 2018 at 10:00 a.m. via Zoom teleconferencing platform.
Current Members per our Local Plan (as of July 1, 2017)
• 153 Charter Partners *Number has decreased by one since the last report, due to a clerical error.
• 328 Charter Schools – Local Plan
• 323 Charter Schools - Operating

Effective July 1, 2018, the following changes will be made to the Charter SELPA Local Plan:
Cohort 1:
• 5 schools closed/exited the SELPA (reflecting the above-mentioned Olive Grove & Pacific Valley schools)
  • 29 schools added for a total of 352
  • 9 partners added

Cohort 2:
• 14 schools closed/exited the SELPA
• 23 schools added for a total of 361
• 6 partners added

Cohort 3:
• 2 schools closed/exited the SELPA
• 6 schools previously approved for membership in an earlier cohort, chose not to join
• 22 schools added for a total of 375
• 9 partners added

Cohort 4: *(For SBE approved schools and expansion schools only – Selection Committee will meet on July 16th only if there are new organizations being recommended for admittance)*

*We are aware of one additional pending school closure of a current partner. This is reflected in the projected numbers below and will be reflected in a subsequent revision of the Local Plan.

Projected Members for 2018-19
• 176 Charter Partners
• 374 Charter Schools
BACKGROUND
The Charter SELPA Allocation Plan requires that CEO Council is updated on 2017-18 and 2018-19 funding rate determinations, and approves the use of any funds from the Rate Smoothing Pool.

To provide greater predictability of funding, the Charter SELPA CEO Council established Allocation Plan language that does the following:

- Establishes a per-ADA rate for budgeting that incorporates a reasonable deficit projection.
- When funds are restored at subsequent certifications periods, the restored funds are placed in the Rate Smoothing Pool, with the primary intention being to use those funds to cover any deficit shortfalls in the following year.

FUNDING PROJECTION SUMMARY

**State**

- 2017-18 Estimate: $514
- February 2018: $514
- 2017-18 P-2 ADA
- Less Admin Fee & Set-Aside (new only)
- 2018-19 Projection: $522

**Federal**

- 2017-18 Estimate: $125
- February 2018: $129.25
- 2016-17 CBEDS Eligible Partners
- Less Admin Fee
- 2018-19 Projection: $125

DEFICIT UPDATE FOR 2016-17 AND 2017-18

In February, CDE released the final calculation of the 2016-17 deficit. The deficit @ 2.63% (Table 1/Row 4) was higher than the budgeted 2.00%. The results of 2016-17 highlight the need to proceed cautiously in making projections about how the state will address the restoration of funding deficits in the future.

The 2017-18 deficit as of February 2018 is 3.16% resulting in a rate of $508 (Table 1/Row 6). Applying the same deficit levels as seen in 2016-17, the deficit as of June 2018 will decrease and result in a rate of $511 (Table 1/Row 7), with very little change at P-1 in February 2019 (Table 1/Row 8).
Table 1

<table>
<thead>
<tr>
<th>2016-17 Deficit Progression</th>
<th>Funded</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>2 Feb-17</td>
<td>96.7027%</td>
</tr>
<tr>
<td>3 Jun-17</td>
<td>97.3259%</td>
</tr>
<tr>
<td>4 Feb-18</td>
<td>97.3730%</td>
</tr>
<tr>
<td><strong>2017-18 Estimated</strong></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>6 Feb-18</td>
<td>96.8435%</td>
</tr>
<tr>
<td>7 Estimated Jun-18</td>
<td>97.3259%</td>
</tr>
<tr>
<td>8 Estimated Feb-19</td>
<td>97.3730%</td>
</tr>
</tbody>
</table>

**2017-18 BUDGET ASSUMPTIONS:**

State $514/CY P-2 ADA. The Rate Smoothing Pool has a sufficient balance to deliver the originally budgeted rate of $514 but will require an additional $350K to do so.

Federal $129.25/PY Enrollment. This includes adjustments for eligible partners (e.g. LEAs with unspent funds in the prior year greater than 25% are not eligible, and some LEAs may opt out voluntarily).

**2018-19 BUDGET ASSUMPTIONS:**

State Given rising inconsistency in the restoration of the deficit, a final deficit projection of 3.00% in February 2020 is projected, which implies a P-2 deficit in June 2019 of 3.16%. Applying this deficit projection and a 2.71% COLA yield a rate of $522 per P-2 ADA (see Table 2/Row 10).

Federal Projecting a $125 rate. Assumes no significant changes to federal grant dollars – base rate of $120 + $5 per CBEDS from partners not eligible to receive federal dollars due to unspent funds.

Table 2

<table>
<thead>
<tr>
<th>2018-19 Projected Rate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Statewide Target Rate</td>
<td>$540.99</td>
</tr>
<tr>
<td>2 SELPA RS/PS Portion</td>
<td>$(16.00)</td>
</tr>
<tr>
<td>3 Charter SELPA Member Rate</td>
<td>$524.99</td>
</tr>
<tr>
<td>4 2018-19 COLA</td>
<td>2.71%</td>
</tr>
<tr>
<td>5 Full Statewide Target Rate + COLA</td>
<td>$555.65</td>
</tr>
<tr>
<td>6 Full SELPA RS/PS Portion + COLA</td>
<td>$(16.43)</td>
</tr>
<tr>
<td>7 Full Charter SELPA Member Rate + COLA</td>
<td>$539.22</td>
</tr>
<tr>
<td>8 2018-19 Estimated Deficit (P-2)</td>
<td>-3.16% $538.09</td>
</tr>
<tr>
<td>9 2018-19 SELPA PS/RS Portion</td>
<td>$(15.91)</td>
</tr>
<tr>
<td>10 2018-19 Estimated Member Rate</td>
<td>$522.00</td>
</tr>
</tbody>
</table>
The Rate Smoothing Pool was budgeted to end the current year with a balance of $940K based on a 2.00% final deficit for 2016-17 (Table 3/Cell C10). However, the 2016-17 deficit was finalized at 2.63%. As a result, the pool is now expected to end the year at a balance of $56K (Table 3/Cell D10).

Assuming the 2016-17 deficit trends for 2017-18, a 2.63% final deficit would bring $42,600 in deficit restoral dollars to the pool in February 2019 (Table 3/Cell E2). Applying the deficit assumptions for 2018-19 from above, the pool would need to provide no dollars to fund a rate of $522. In fact, the pool would recover $93K (the difference between the funding rate of $522 and the calculated rate of $522.18). The ending balance of the pool is projected to be $138K (Table 3/Cell E10).

**Table 3**

<table>
<thead>
<tr>
<th>Charter SELPA Rate Smoothing Pool</th>
<th>2016-17</th>
<th>2017-18 Projected (October)</th>
<th>2017-18 Projected (May)</th>
<th>2018-19 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Prior Prior Year Deficit Restoration</td>
<td>B C D E</td>
<td>255</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Prior Year Deficit Restoration</td>
<td>625,917</td>
<td>564,000</td>
<td>31,849</td>
<td>42,600</td>
</tr>
<tr>
<td>3 Total Revenue</td>
<td>625,917</td>
<td>564,000</td>
<td>32,104</td>
<td>42,600</td>
</tr>
<tr>
<td>4 Prior Prior Year Rate Guarantee</td>
<td>1,210</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Prior Year Rate Guarantee</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Current Year Rate Guarantee</td>
<td>554,458</td>
<td>600,000</td>
<td>952,288</td>
<td>(39,060)</td>
</tr>
<tr>
<td>7 Total Expenditures</td>
<td>555,668</td>
<td>600,000</td>
<td>952,288</td>
<td>(39,060)</td>
</tr>
<tr>
<td>8 Income less Expenditures</td>
<td>70,249</td>
<td>(36,000)</td>
<td>(920,184)</td>
<td>81,660</td>
</tr>
<tr>
<td>9 Beginning Balance</td>
<td>906,099</td>
<td>976,348</td>
<td>976,348</td>
<td>56,164</td>
</tr>
<tr>
<td>10 Ending Balance</td>
<td>976,348</td>
<td>940,348</td>
<td>56,164</td>
<td>137,824</td>
</tr>
</tbody>
</table>

**RECOMMENDATION**

CEO Executive Committee is asked to review the recommendation to CEO Council to set rates as follows:

**2017-18**

The state funding rate is set at $514 before admin fee and set-aside for new charters using $952K from the Rate Smoothing Pool.

**2018-19**

The state funding rate is set at $522 before admin fee and set-aside for new charters. The deficit projection indicates no funds from the Rate Smoothing Pool will be needed.

Deficit restoration for the past three years has been relatively consistent because of statewide property tax growth. Based on 2016-17, it appears that this consistency may not continue. Further, an economic recession impacting real property values decreasing tax revenues would negatively impact deficit restoration. As a result, SELPA leadership recommends a cautious approach to rate setting in the near term.

The final rates will be shared with the field immediately following the May CEO Council meeting.
BACKGROUND

Executive Committee is presented with a SELPA Risk Pool update. This update covers the following:

- Set-Aside Risk Pool
- Low Incidence Pool
- Legal Risk Pool

SET-ASIDE RISK POOL (TABLE 1)

The current structure of the Set-Aside Risk Pool was established by CEO Council in 2016-17. The intent of the pool is to provide protection to the SELPA as a whole against potential SELPA funding losses resulting from the action of a member. Ongoing funding for the Set-Aside Risk Pool is generated from a one-time contribution from all new charters equal to $5/current year P-2 ADA.

At P-1 in February, the projected current year revenue of $63.6K (Table 1/Row 2) is slightly below the $74.5K projected in October and will be finalized at P-2 in June. Thus far in 2017-18, $12.4K (Table 1/Row 6) has been needed from the pool. This is a negative prior year adjustment for a school closed in a bankruptcy, which was received in February. This adjustment was offset by $3.8K of funding which we were able to withhold prior to the closure. Per the Allocation Plan, this withheld funding was transferred to the Legal Risk Pool as revenue.

Table 1

<table>
<thead>
<tr>
<th>Charter SELPA Set-Aside Risk Pool</th>
<th>2016-17 Close Fund</th>
<th>2016-17 New Pool</th>
<th>2017-18 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Contribution from Charters</td>
<td>271,521</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Contribution from New Charters</td>
<td>92,844</td>
<td>63,642</td>
<td></td>
</tr>
<tr>
<td>3 Interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 One Time transfer from Legal Risk</td>
<td></td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>5 Total Revenue</td>
<td></td>
<td>564,365</td>
<td>63,642</td>
</tr>
<tr>
<td>6 Unrecoverable Revenues from Closed Schools</td>
<td></td>
<td>153</td>
<td>12,420</td>
</tr>
<tr>
<td>7 Return to Charters</td>
<td>1,053,909</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Interest Return to Charters</td>
<td>52,942</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Interest Transfer to Legal Risk Pool</td>
<td>1,913</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Transfer to Legal Risk Pool</td>
<td>52,716</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Total Expenditures</td>
<td>1,161,480</td>
<td>153</td>
<td>12,420</td>
</tr>
<tr>
<td>12 Income less Expenditures</td>
<td>(1,161,480)</td>
<td>564,212</td>
<td>51,222</td>
</tr>
<tr>
<td>13 Beginning Balance</td>
<td>1,161,480</td>
<td></td>
<td>564,212</td>
</tr>
<tr>
<td>14 Ending Balance</td>
<td>-</td>
<td>564,212</td>
<td>615,434</td>
</tr>
</tbody>
</table>
LOW INCIDENCE POOL (TABLE 2)
The SELPA receives very little funding for low incidence materials and services. Annual growth of low incidence reimbursement claims makes guaranteeing a maximum reimbursement rate at the beginning of the year very difficult. For 2017-18, the final maximum reimbursement rate is not established until all known claims are submitted (May 1st). Last year’s maximum was set at $1,500 based on submitted claims.

Reimbursement claims for 2017-18 are currently projected to be $106K (Table 2/Row 4) based on claims submitted by the May 1st deadline and last year’s $1,500 maximum. Once all claims are processed, the final 2017-18 maximum reimbursement will be established and announced to the field. Correspondingly, this expenditure number will be updated with actuals.

Table 2

<table>
<thead>
<tr>
<th>Charter SELPA Low Incidence Pool</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Income</td>
<td>$ 97,381</td>
<td>$ 118,035</td>
<td>$ 153,082</td>
</tr>
<tr>
<td>2 PY Pending Claims</td>
<td></td>
<td>$ 3,000</td>
<td></td>
</tr>
<tr>
<td>3 Total Revenue</td>
<td>$ 129,191</td>
<td>$ 118,035</td>
<td>$ 156,082</td>
</tr>
<tr>
<td>4 Expenditures</td>
<td>$ 112,933</td>
<td>$ 109,232</td>
<td>$ 106,163</td>
</tr>
<tr>
<td>5 Pending Claims</td>
<td></td>
<td>$ 3,000</td>
<td></td>
</tr>
<tr>
<td>6 Total Expenditures</td>
<td>$ 112,933</td>
<td>$ 112,232</td>
<td>$ 106,163</td>
</tr>
<tr>
<td>7 Income less Expenditures</td>
<td>$ 16,258</td>
<td>$ 5,803</td>
<td>$ 49,919</td>
</tr>
<tr>
<td>8 Beg Balance</td>
<td>$(22,1)</td>
<td>$ 16,036</td>
<td>$ 21,839</td>
</tr>
<tr>
<td>9 Ending Balance</td>
<td>$ 16,036</td>
<td>$ 21,839</td>
<td>$ 71,758</td>
</tr>
</tbody>
</table>

LEGAL RISK POOL (TABLE 3)
Funding for the Legal Risk Pool is generated from two sources:

1. Unspent current year state revenue from charters carrying over a large balance from the previous year (greater than 25% unspent). Typically, these are Charter SELPA partners that are in the early stages of building SpEd program capacity, or have unique populations characterized by low special education identification rates.

2. Funding held from charter partners that close operations and fail to submit documentation that would allow for release of the withheld funds. Per the Allocation Plan and SELPA policies, funding is held in circumstances where further distribution of special education funding would put those funds at risk.

In 2016-17, there was a significant influx of funding from closed charters (item #2 above) totaling $851K (Table 3/Row 2). Most of that amount resulted from a mid-year decision to hold funding for one school, which subsequently closed as a result of a bankruptcy.
Unspent funding representing revenue to the pool for 2017-18 is estimated at $229K (Table 3/Cell D1). Reimbursement claims for 2017-18 are projected to be $315K (Table 3/Cell D7) based on claims submitted by the May 1st deadline, which are in the process of being analyzed. This is a significant increase over last year’s $85.5K in reimbursements. Once claims are processed, this expenditure number will be updated with actuals.

Given projected pool revenue and expenditures going forward, an operating balance of approximately $500K is reasonable. The ending balance for 2017-18 is currently projected in excess of $1M (Table 3/Cell D13). It is prudent that a recommendation for the use of the funds in excess of the needed operating balance to benefit SELPA partners be presented to CEO Council for implementation in the 2018-19 school year. The proposed recommendation appears below Table 3.

### Table 3

<table>
<thead>
<tr>
<th>Charter SELPA Legal Risk Pool</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18 Projected</th>
<th>2017-18 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
<td>E</td>
</tr>
<tr>
<td>1 Transfer from Modified Funding/Reserve</td>
<td>145,392.00</td>
<td>167,776.00</td>
<td>229,371.00</td>
<td>229,371.00</td>
</tr>
<tr>
<td>2 Forfeited State Funds</td>
<td>(30,406.00)</td>
<td>850,872.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 PY Adjustments to Modified Funding/Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Transfer from Set Aside</td>
<td>6,426.00</td>
<td>52,716.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5 Transfer from Set Aside-Interest</td>
<td>962.00</td>
<td>1,913.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6 Internal Acct Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Total Revenue</td>
<td>122,374.00</td>
<td>1,073,277.00</td>
<td>229,371.00</td>
<td>229,371.00</td>
</tr>
<tr>
<td>7 Total Awards</td>
<td>44,121.04</td>
<td>85,544.00</td>
<td>315,000.00</td>
<td>315,000.00</td>
</tr>
<tr>
<td>8 Contribution to Rate Smoothing</td>
<td></td>
<td></td>
<td></td>
<td>500,000.00</td>
</tr>
<tr>
<td>9 Contribution to New Set Aside</td>
<td>200,000.00</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11 Contribution to MH Funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Return of MH Funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Total Expenditures</td>
<td>44,121.04</td>
<td>285,544.00</td>
<td>315,000.00</td>
<td>815,000.00</td>
</tr>
<tr>
<td>11 Income Less Expenditures</td>
<td>78,252.96</td>
<td>787,733.00</td>
<td>(85,629.00)</td>
<td>(585,629.00)</td>
</tr>
<tr>
<td>12 Beginning Balance</td>
<td>279,244.03</td>
<td>357,496.99</td>
<td>1,145,229.99</td>
<td>1,145,229.99</td>
</tr>
<tr>
<td>13 Ending Balance</td>
<td>357,496.99</td>
<td>1,145,229.99</td>
<td>1,059,600.99</td>
<td>559,600.99</td>
</tr>
</tbody>
</table>

**Recommendation**

Executive Committee input is requested on the following recommendation to May CEO Council.

Transfer an amount above the projected Legal Risk Pool balance ($500K) to the Rate Smoothing Pool. This will build a reserve for future uncertainty around the state deficit and help offset the Rate Smoothing Pool revenue lost as a result of:

- Lower than anticipated restoral of the state funding deficit for 2016-17 (97.37% vs. 98.00%).
- The increased Rate Smoothing Pool expenditures projected as a result of a higher than budgeted 2017-18 final deficit (2.63% vs. 2.00%). See agenda item 4 for more information.

The 2017-18 ending balance of the Legal Risk Pool after a transfer of $500K to the Rate Smoothing Pool (Table 3/Cell E8) is projected to be $560K (Table 3/Cell E13).
ISSUE
In September 2013, the CEO Council created two categories of Partnership: Single Charter Partner and Organization Partner. Over the past few years, some schools have shifted to organizational structures that do not align with our current definition of an Organization Partner. We should update our definition to align with current practices to maintain the benefits and efficiencies while sustaining appropriate levels of accountability.

The concept of a single charter partner is straightforward and does not need to be the focus of our consideration at this time.

BACKGROUND
An organization is currently defined as a non-profit with one governing board over multiple charters or an organization with one Chief Executive Officer position over multiple charters. The title of CEO may differ by organization, but the intent is that final decision making in the organization is vested in one leadership position.

CEO Policy 22 and the definition of an organizational partner was created to support the replication of schools that have demonstrated the capacity to meet CEO Council expectations, create economies of scale, encourage collaboration between similar schools, and build support structures for schools. The primary advantages of being identified as an Organization Partner are:

1. The review of expansion charters entering the Charter SELPA is abbreviated from a full review and is completed by the SELPA Staff, rather than an exhaustive review process, which includes the Selection Committee.
2. The administrative fee calculation for an expansion charter is calculated at the organization partner rate, rather than beginning with a 6% fee and reducing over time with demonstration of capacity. For most charters joining under the expansion basis of an organizational partner, this currently means that they enter the Charter SELPA at a 4% fee level.
3. The Allocation Plan also allows for a re-allocation of funds potential for Organization Partners.

Numerous organization partners have created leadership structures that diffuse leadership to local schools or regions while concurrently contracting with a non-public entity responsible for providing a range of administrative services to the school. Therefore, we want to ensure that we are not penalizing entities that are creating a shared leadership model that recognizes local control. At the same time, it is essential that we avoid too flexible of a definition that would allow for charters to loosely connect with a current member to reap the benefits of an Organization Partner without any accountability or actual oversight being applied from the current Organization Partner.

RECOMMENDATION
Charter SELPA administration will facilitate a discussion at the May 2018 CEO Council meeting to solicit input to achieve the following:

1. Refine the definition of organization partner to account for diverse governance, administrative and operational structures.
2. Develop administrative regulations to ensure that fiscal liabilities resulting from an unplanned school closure are not shifted from the Organization Partner to the Charter SELPA (i.e., the Set-Aside Risk Pool).

3. Add language to CEO Policy 22, regarding the simplified application process, to allow the Charter SELPA to request additional information to complete a more comprehensive review before approving an expansion application, and ensure that the expansion application is appropriate with an Organization Partner.

Proposed changes to Policies and/or Administrative Regulations would be presented for adoption at the October 2018 CEO Council meeting.