

BOARD AGENDA ITEM

G-3

Meeting Date: November 25, 2008

Item Title: Decision Regarding the Charter Proposal Received from Nea Community Learning Center Schools, Inc.

Item Type: Action

BACKGROUND: On October 3, 2008, the District received a Charter Proposal from Community Learning Center Schools, Inc. to open the NCLC Charter School serving students in grades K-12. In accordance with law, a Public Hearing was held on October 28, 2008. Based upon legal timelines, the Board of Education must now make a decision to approve or deny the Charter Proposal.

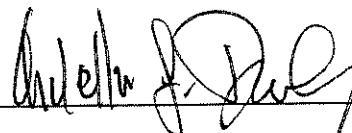
FISCAL IMPLICATIONS: To be determined.

RECOMMENDATION: Adopt the findings contained in the November 21, 2008 memorandum from the Charter School Evaluation Committee and approve the charter proposal from Community Learning Center Schools, Inc. for the Nea Community Learning Center Charter to be approved for a period of three years through June 30, 2011, contingent upon a Memorandum of Understanding between Community Learning Center Schools, Inc. and the District being finalized not later than January 31, 2009.

AUSD Superintendent's Goal Area: Not applicable. Information only.

Submitted by: Ardella J. Dailey, Superintendent

Approved for Submission to Board of Education



Ardella J. Dailey, Superintendent



MEMORANDUM

Date: NOVEMBER 21, 2008

TO: ARDELLA DAILEY, SUPERINTENDENT
MEMBERS OF THE BOARD OF EDUCATION

FROM: CHARTER SCHOOL EVALUATION COMMITTEE

SUBJECT: EVALUATION OF THE NCLC CHARTER PROPOSAL

On October 3, 2008 the District received a Charter Proposal from Community Learning Center Schools, Inc. The proposal describes a K-12 educational program, to be known as Nea Community Learning Center (NCLC), which is an outgrowth of the ACLC program. The new Charter School would initiate a K-5 program while expanding capacity for grade 6-12 enrollment in the ACLC model.

It is proposed that NCLC commence instruction in the fall of 2009. The Charter Application projects enrollment as follows:

- The K-5 program “will serve a minimum of 128 learners initially and will grow in the future depending upon demand and facilities.”
- The 6-12 program would open in a grade 6-10 configuration serving 180 students. In three years, it would be planned to expand to approximately 280 students.
- NCLC projects an opening enrollment of 308 students. They project a total of 408 students in grades K-12 by the third year of operation.

NCLC has also submitted a Proposition 39 Facility Request to the District. They have requested to have sufficient space at Longfellow Elementary School to house their educational program.

Superintendent Dailey formed this Evaluation Committee made up of administrative staff members, as well as an outside consultant. Our charge was to evaluate the NCLC Charter Proposal in the light of current law, Board Policy and the Model Charter School Application adopted by the State Board of Education. Superintendent Dailey further requested that School Services of California perform an analysis of the fiscal aspects of the NCLC Charter Application. A copy of the SSC Report is appended (Attachment A).

As is the case in all charter evaluation, the final rubric is the Criteria for Denial, as recited in the Charter Schools Act. A summary of initial findings, presented in the format of the Criteria for Denial, follows:

**CHARTER SCHOOLS ACT
CRITERIA FOR DENIAL**

1. The charter school presents an unsound educational program for the pupils to be enrolled in the charter school.

The NCLC educational program is not unsound. The curriculum is based upon state standards.

Special Education services are to be the sole responsibility of NCLC through membership in the El Dorado County Charter School SELPA. The Charter School Applicant understands that their acceptance as an LEA in the El Dorado SELPA is a prerequisite for commencement of instruction. A question not addressed in the Charter Application concerns how NCLC and the El Dorado County SELPA would fulfill the “search and serve” responsibilities as a special education LEA. This is a topic which should be addressed in the MOU between the parties.

2. The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition.

The petitioners are extremely capable individuals with considerable experience, both in charter and non charter public education. The NCLC budget appears to be based upon conservative estimates of both income and expenditure. The budget projects what would appear to be appropriate levels of financial reserve.

The Charter School Evaluation Committee, as well as School Services of California, noted an apparent under funding for employee health premiums in the second and third year of Charter School operation. The SSC report also noted that the amount budgeted for STRS does not include certificated substitute salaries. Further, the SSC report noted that the amount budgeted for PERS does not cover all eligible classified salaries. While the findings noted above do not rise to the level of labeling the NCLC budget as unsound, it is important that responses/revisions be submitted prior to the Board of Education consideration of the Charter Application. Accordingly, Community Learning Center Schools, Inc. has received a copy of the SSC report, along with an invitation to respond.

The report from School Services of California also identified several technical issues, e.g., accounting and audit requirements for a not for profit organization, which also invite a response from Community Learning Center Schools, Inc.

The EdTec response (Attachment B) from the charter petitioner has added more credibility to the budget projections and the cash flows by adjusting the health and welfare amounts to reflect the FTE adjustments.

California School Services analysis of the response states “although the petitioner has provided support to their assumptions and financial projections, we still stand behind the comments made in our report dated November 6, 2008 (Attachment A). The enrollment and financial projections are just that – projections. Clearly, the state is in the middle of a financial crisis, and the Governor is responding through proposing drastic spending cuts to K-12 education. The reductions that you are bracing for as a school district will also be imposed to the state funding distributed to charter schools. Our report was provided to help you evaluate the financial aspects of the petition as well as any other issues deemed to be important to you as an authorizing agency. We cannot emphasize enough the importance of continuing to monitor the petitioner’s assumptions and projections.”

3. The petition does not contain the number of signatures required.

The required number of signatures has been submitted.

4. The petition does not contain an affirmation of each of the conditions (required by the Charter Schools Act).

The required affirmations have been submitted.

5. The petition does not contain reasonably comprehensive descriptions of all of the following (the 16 Required Elements).

Required Element I (Financial Audit and Insurance):

The initial review of the Charter School Evaluation Committee contained the following observation:

- “Financial Audit (Page 60): The proposal provides that any disputes regarding audit exceptions or deficiencies “will be referred to the dispute resolution process”. This is not acceptable because the fiscal oversight is so crucial to maintaining the liability shield for the District. The Charter Schools Act simply says that audit errors and exceptions shall be resolved to the satisfaction of the district. Any reference to the dispute resolution procedure should be deleted.”

In an October 14, 2008 communication (Attachment C) from Paul Bentz and Maafi Gueye, revised charter language was submitted which makes it clear that audit errors and exceptions will be resolved to the satisfaction of the District.

The initial review of the Charter School Evaluation Committee also contained the following observation:

- “Insurance (Page 61): The NCLC Proposal suggests a combined, per occurrence limit of “not less than \$2,000,000” for General Liability, Comprehensive Bodily Injury and Property Damage Liability. That is not enough insurance, and it leaves the District at risk. A single accident, e.g., a field trip would quickly eclipse that coverage. It is more common to expect \$15,000,000 to \$20,000,000 in this coverage...”

The October 14 communication (Attachment C) cited above also included revised charter language which stipulates excess liability coverage up to \$20,000,000 for each occurrence.

Required Element N (Dispute Resolution Procedures):

The initial review of the Charter School Evaluation Committee contained the following observation:

- “Dispute Resolution (Page 78): The Charter Schools Act, as one of the Required Elements, references a dispute resolution procedure regarding provisions of the charter. The NCLC Proposal broadens the scope to include the MOU. The MOU should specify its own dispute resolution procedure...even if it turns out to be the same. The dispute resolution procedure in the NCLC Proposal should apply only to provisions of the Approved Charter.”

The October 14 memo (Attachment C) from Paul Bentz and Maafi Gueye included revised charter language which limits the applicability of charter dispute resolution procedures as requested.

SUMMARY

The Charter School Evaluation Committee reviewed the original NCLC Charter Application last year. Utilizing the Criteria for Denial contained in the Charter Schools Act, we identified substantive reasons for denial of the application. However, the Charter School Applicants have addressed those concerns. The three remaining issues are as follows:

1. The "Seek and Serve" responsibilities noted above.
2. The budget issues identified by the Evaluation Committee, as well as by School Services of California.
3. The "technical" book keeping and audit issues raised by School Services of California.

It is recommended that these remaining concerns should be addressed by the responses/revisions submitted by NCLC and/or in the MOU between the parties. It is further recommended that any consideration for charter approval be conditioned upon MOU agreement between the parties by January 31, 2009.

ATTACHMENT

A

Brooks, Kathleen

From: Brooks, Kathleen
Sent: Monday, November 10, 2008 3:06 PM
To: Bentz, Paul; Gueye, Maafi
Cc: Rahill, Tim; 'Humpycnc@aol.com'
Subject: Review Nea Charter Application
Attachments: Alameda USD Charter School Petition Review FINAL 11-6-08 (2).pdf

FROM ARDELLA:

Attached you will see a communication from School Services of California who were asked to provide AUSD with an analysis of the charter petition, focusing on the fiscal components. I am requesting that you review the letter and provide us with written responses to the points raised in advance of the November 25 Board of Education meeting. We will need your response no later than November 19 in order to include it as information in the Board packet for the November 25 meeting. If you have any questions, please feel free to contact Tim Rahill or me at 337-7060.

11/21/2008



November 6, 2008

1121 L Street

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Suite 1060

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Sacramento

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California 95814

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TEL: 916.446-7517

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FAX: 916.446-2011

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Ms. Ardella Dailey
Superintendent
Alameda Unified School District
2200 Central Avenue
Alameda, CA 94501

Re: The NEA Community Learning Center Charter School Petition Review

Dear Ms. Dailey:

Thank you for requesting that School Services of California, Inc., (SSC) perform an analysis of the fiscal aspects of the NEA Community Learning Center (NCLC) Petition. We are pleased to provide Alameda Unified School District (District) with the following summary analysis.

The issues covered by the analysis include:

- A review of the Financial Section of the NCLC Charter School Petition
- A review of the budget documentation provided by the Petitioners, NCLC, for fiscal years 2009-10 through 2011-12 for revenues and expenditures
- A review of the projected enrollment and average daily attendance (ADA) for the period of 2009-10 through 2011-12
- A review of the operational and budgetary issues

Information was provided by the District, which included supporting documentation provided by the NCLC with the Petition.

The Petition is for grades kindergarten through 12 with a projected enrollment of 308 students in grades K-10 starting in 2009-10. Based on our review, we have identified the following items for the District to follow up on or consider in its decision for approval.

- ADA and Enrollment**—The chart below displays NCLC’s projections for enrollment and ADA for the three years. In the third year of operation, the Petitioners anticipate growth of 33% over the first year. The enrollment for 2009-10 includes grades K-10. The projection for 2010-11 includes students in grade 11, and the projection for 2011-12 includes students in grade 12. In our review, we noted that in addition to the natural rollup of grades, the Petitioners are anticipating growth in grades 4-8 in both of the out year projections. It is critical that the authorizing agency receive monthly reports of both enrollment and ADA to ensure that projections are met because revenues and expenditures are based on the specific projections.

	2009-10*	2010-11*	2011-12*
Enrollment:			
Current-Year Projected Enrollment	308	358	408
Prior-Year Projected Enrollment	n/a	308	358
Increase in Projected Enrollment		50	50
% Change From Prior Year		16%	14%
Projected ADA:			
Current-Year Projected ADA	293	340	388
Prior-Year Projected ADA	n/a	293	340
Increase in Projected ADA		47	48
ADA-to-Enrollment Ratio	95%	95%	95%

* Estimated Projection

- Other Local Revenue**

- Interest Income**—There is no projected budget in any amount for other local revenue. We would expect to see, at a minimum, an estimate of interest income.
 - In-Lieu of Property Taxes**—Based on our review of the Petition’s budget summary, we noted property taxes in the amounts of \$537,969, \$650,782, and \$768,325 over the first three years of operation. However, the Petition did not include any information to support how the estimate was determined. Also, the Petitioner’s estimate of the in-lieu of property taxes should be reported under this classification of revenue.
 - Special Education Reimbursement**—The Petition included a letter from the El Dorado County Charter Special Education Local Plan Area (SELPA) indicating that the Petitioners have applied to become members of the El Dorado County Charter SELPA. The applications for 2009-10 will not be reviewed until spring 2009. The membership in a SELPA is not automatic and is contingent on the approval of the SELPA. The Petitioners have included income for Special Education reimbursement in all three years of the budget projection, which presumes approval of their application.

- **Personnel Salaries and Benefits**

- **Health Benefits**—The budget narrative indicates that health and welfare benefits will be offered consistent with current District health benefits, factored by a 14% per year increase. The projected budget for health and welfare does not include any additional amounts for the projected growth of certificated FTE in the out years.
- **STRS**—The amount budgeted for State Teachers' Retirement System (STRS) does not include certificated substitutes salaries.
- **PERS**—The amount budgeted for Public Employees Retirement System (PERS) does not cover all eligible classified salaries. For example, it appears if the special education paraprofessional salaries may have been excluded from the PERS amounts in the employee benefits.

- **Other Expenditures**

- **Interest Expense**—The Petitioners mention it will seek a revolving fund loan from the California Department of Education (CDE), loan from its sister program, and a line of credit from a bank to supplement its cash flow during delays in state apportionment. For a not-for-profit organization, the loans described should have its respective interest expense recorded in the "Services and Other Operating Expenditures" section of the budget summary. The interest only should be included in the budget for each of the respective years as an expense.

- **Cash Flow**

- **Revenues**

- **General Purpose Block Grant**—The current schedule of apportionment to charter school is as follows:
 - 6%—July
 - 12%—August
 - 8%—September
 - 8%—October
 - 8%—November
 - 8%—December
 - 8%—January

The apportionment is recertified in February and adjusted for payments February through June. The budget for 2009-10 does not present the cash flow statement according to the schedule above.

- **Counseling Grant & Arts and Music Grant**—The cash flow statement does not reflect the income from these two grants in any of the three years.

- **Financial Reports**

- **Accounting Standards**—The Petition indicates that the charter will maintain records using “Generally Accepted Accounting Principles” (GAAP). However, the budget does not reflect an accounting methodology in accordance with GAAP. We noted that the financial information does not reflect the appropriate accounting methodology for a not-for-profit organization that is required to use the full-accrual basis of accounting regarding the revolving loan. For a not-for-profit organization, a loan should not be recorded as revenue. The loan should be recorded on the balance sheet as cash and an obligation (loan payable). Interest only should be included in the budget for each of the respective years as an expense.

In conclusion, we have provided comments above regarding multiple areas included in the budget presented by NCLC that we think should be taken into consideration by the District, as the authorizing agency as follows:

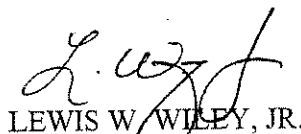
- The recognition of GAAP utilizing the full-accrual basis of accounting is required by charter schools that have obtained a not-for-profit status from the Internal Revenue Service, and year-end financial statements should be reflected in the budget. In addition, the classification of revenues and expenditures is imperative.
- The cash flow statement must reflect a true and accurate schedule of charter school apportionments. This part of the cash flow is critical to the projecting whether NCLC will have cash available to pay its obligations as they become due.
- The salaries and benefits budgeted for 2010-11 and 2011-12 should be adjusted to reflect the correct FTE projections to ensure a true picture of the expenditures.

We are pleased to have had the opportunity to serve the District and look forward to serving you again in the future. Please do not hesitate to contact us if there are any questions concerning the report.

Sincerely,



ANN HERN
Director, Management Consulting Services



LEWIS W. WILEY, JR.
Director, Management Consulting Services

ATTACHMENT

B



Business and Development Specialists
for California Charter Schools

MEMO

TO: Nea Community Learning Center petitioners and Alameda USD staff and board

FROM: Peter Laub, SVP of Client Services

RE: School Services budget review

Please find below an item by item response to School Services budget review. We also include slightly modified financials for illustration purposes to address the concerns.

For clarity, we are including the heading of each bullet point from the School Services analysis in our response.

ADA and enrollment: We believe that our enrollment growth projections are reasonable, and we too will be closely watching our enrollment patterns to help inform adjustments to our staffing.

Other local income:

Interest income: The school may well have some interest income in the first few years, but we conservatively left out that revenue source since it is difficult to estimate or substantiate. In any case, it would be small relative to other sources of funding;

In-Lieu of Property Taxes: We used Alameda Community Learning Center (ACLC) P2 to derive a close approximation of the split in State Aid and in-lieu revenues. We assumed the District had ready access to this same information since they currently distribute the funds to the school. In any case, total revenues would be unaffected by moving funds between these two sources.

We followed the convention that the CDE has established in its "Unaudited Actuals" reporting form by grouping State Aid and In lieu Property together under revenue limit sources rather than including in lieu under Local Revenues.

Special Education Reimbursement: Admission to the SELPA is contingent on charter approval. The rate assumptions used by petitions came directly from the business officer of the El Dorado SELPA.

Personnel Salaries and Benefits:

Health Benefits: There is an error in the Health benefits, but it is an overstatement of benefits in the first year, rather than an understatement in the out years. We intended the classified SPED assistants to be part time (in total equaling 2 FTEs), so they would not be eligible for benefits. There is a 25% growth in benefits between year two and three, which is greater than 14% inflation increase. For illustration purposes, we have recalculated the benefits assuming health benefits for SPED assistants.



Business and Development Specialists
for California Charter Schools

STRS: While a certificated substitute who is already a member of STRS would contribute to STRS, a certificated substitute who is not a member of STRS would not contribute to STRS until after the first 100 days of service. Likewise, a retired member of STRS would not contribute to STRS. What happens in practice varies by school but trends toward non-STRS paying substitutes (either retirees or non-members). In any case, in place of STRS, we included social security, so the net change by including STRS and removing social security for all substitutes is \$300 additional cost.

PERS: The SPED assistants were inadvertently not included in the PERS calculation. The variance to the budget would be \$6500.

Other Expenditures:

Interest Expense: The petitioners indicated that they planned to apply for loans in case they needed additional working capital. However, because the PCSGP funds new schools up front, the budgets presented for review do not include any loans being utilized and therefore no interest expense is included.

Cash Flow:

General Block Grant: School Services correctly shows the funding schedule for the State Aid portion of the General Block for years 2-*n*, however School Services incorrectly applies that schedule to year one. In year one, State Aid arrives in a Special Advance Apportionment (34% in August and 24% in November). See Ed code §47652. Conservatively, we assume all apportionments arrive one month late.

Counseling Grant and Arts and Music Grant: These grants are included in the subtotal of Other State Income. Because they are small relative to other sources revenue and the cash forecast necessarily summarizes revenues and expenses, this small amount of income was not given its own line item.

Financial Reports: As noted above, the notes for the financials note that the school has access to capital sources, but since these additional sources were not required to create a healthy cash forecast, the school did not include loans in the financials. The financials are presented according to GAAP.

Nea Community Learning Center
Budget Summary

	2008/10	2009/10	2009/10	2010/11	2011/12	2009/10
	Start up	Operating Budget	Budget	Budget	Budget	Notes
SUMMARY						
Revenue						
General Block Grant	-	1,809,633	1,909,633	2,307,575	2,722,390	
Federal Income	200,000	306,670	506,670	232,636	185,042	
Other State Income	-	140,045	140,045	153,538	167,223	
Other Local Revenue	-	-	-	-	-	
Fundraising and Grants	-	-	-	-	-	
Total Revenue	200,000	2,256,348	2,556,348	2,693,749	3,074,655	
Expenses						
Compensation and Benefits	6,410	1,518,366	1,524,776	1,838,948	2,169,172	
Books & Supplies	65,000	156,996	221,996	185,732	213,566	
Services & Operating Exp.	-	413,310	413,310	478,725	543,580	
Capital Outlay	-	-	-	-	-	
Total Expenses	71,410	2,088,672	2,160,081	2,503,406	2,926,319	
Operating Income (excluding Depreciation)	128,590	267,677	396,267	190,343	148,337	
Operating Income (including Depreciation)			396,267	190,343	148,337	
Fund Balance						
Beginning Balance			-	396,267	586,610	
Operating Income (including Depreciation)	128,590	267,677	396,267	190,343	148,337	
Ending Fund Balance (including Depreciation)	128,590	267,677	396,267	586,610	734,947	
Reserve						
			236,403	315,136	362,053	4% of Total Annual Expenses; Min. \$50K; plus \$15K closure contingency and \$150K SPED contingency, growing \$50K per year to \$250K, then 10% of SPED revenues thereafter

Nea Community Learning Center
Budget Summary

2009/10	2009/10	2009/10	2010/11	2011/12	2008/10
Start up	Operating Budget	Budget	Budget	Budget	Notes

DETAIL

Enrollment

K to 3 80 80 80 80
 4 to 6 68 88 88 88
 7 to 8 60 70 70 80
 9 to 12 80 120 160 160
Total Enrollment 308 358 408

ADA

K to 3 76 76 76 76
 4 to 6 84 84 84 84
 7 to 8 57 67 76 76
 9 to 12 76 114 152 152
Total ADA 293 340 388

Free and Reduced English Language Learners

- - - -

Nea Community Learning Center
Budget Summary

	2009/10	2009/10	2009/10	2010/11	2011/12	2009/10	Notes
Start up	Operating Budget	Budget	Budget	Budget	Budget		
Revenue							
0 General Purpose Block Grant (K - 3)	429,020	429,020	440,192	451,212	451,212	Yr 1: \$5645, Yr2: \$5792, Yr3: \$5937 per ADA per CSDC Crystal Ball as published September 2008	
0 General Purpose Block Grant (4 - 6)	479,028	479,028	491,484	503,774	503,774	Yr 1: \$5730, Yr2: \$5879, Yr3: \$6029 per ADA per CSDC Crystal Ball as published September 2008	
0 General Purpose Block Grant (7 - 8)	335,901	335,901	402,059	470,972	470,972	Yr 1: \$5893, Yr2: \$6046, Yr3: \$6197 per ADA per CSDC Crystal Ball as published September 2008	
0 General Purpose Block Grant (9 - 12)	519,364	519,364	759,368	1,092,424	1,092,424	Yr 1: \$6834, Yr2: \$7012, Yr3: \$7187 per ADA per CSDC Crystal Ball as published September 2008	
Subtotal General Purpose Block Grant	1,763,333	1,763,333	2,133,103	2,518,382	2,518,382	Rates provided by CSDC	
8015 State Aid	1,225,364	1,225,364	1,482,322	1,750,057	1,750,057		
8760 Property Tax	537,969	537,969	650,782	768,325	768,325		
8480 Charter Schools Categorical Block Grant	146,300	146,300	174,471	204,009	204,009	Yr 1: \$500, Yr2: \$513, Yr3: \$526 per ADA per CSDC Crystal Ball as published September 2008	
Educationally Disadvantaged Block Grant						Yr 1: \$317, Yr2: \$325, Yr3: \$334 per ADA per CSDC Crystal Ball as published September 2008	
Subtotal - General Block Grant	1,909,633	1,909,633	2,307,575	2,722,390	2,722,390		
8102 Special Education Reimbursement	131,670	131,670	157,636	185,042	185,042	Per El Dorado SELPA CFO	
8220 Child Nutrition Programs - Federal							
8292 PCSGP	175,000	375,000	75,000			PCSGP awarded pending AUSO board approval of charter.	
8294 Title I - Basic Grant						\$0 per Title I eligible student based on avg 06-07 rates	
8299 All Other Federal Revenue							
Subtotal - Federal Income	306,670	506,670	232,636	185,042	185,042		
8434 Class Size Reduction, Grades K-3	85,680	85,680	87,920	90,080	90,080	Yr 1: \$1071, Yr2: \$1099, Yr3: \$1126 per ADA per CSDC Crystal Ball as published September 2008	
8546 School Facilities Apportionments						Fund availability determined by state budget	
8580 State Lottery Revenue	40,086	40,088	46,594	53,101	53,101	Yr 1: \$137, Yr2: \$137, Yr3: \$137 per ADA per CSDC Crystal Ball as published September 2008	
8580 All Other State Revenue							
8591 Supplemental Hourly Revenue							
0000 Middle/High School Counseling	9,615	9,615	13,441	17,487	17,487	\$68.88 per 7-12 enrollment	
0000 Arts and Music Grant	4,664	4,664	5,564	6,555	6,555	\$15.94 per ADA per CDE (\$4K min)	
Subtotal - Other State Income	140,045	140,045	153,538	187,223	187,223		
Subtotal - Local Revenues							
Subtotal - Fundraising and Grants							
TOTAL REVENUE	2,556,348	2,556,348	2,693,749	3,074,655	3,074,655		

Nea Community Learning Center
Budget Summary

		2009/10		2010/11		2011/12		2009/10		Notes	
		Operating Budget		Budget		Budget		Budget			
2009/10	2009/10	2009/10	2010/11	2009/10	2010/11	2011/12	2009/10	2010/11	2011/12	2009/10	Notes
Start up	Operating Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Notes
Expenses											
1000 Certified Employees											
0	Administration	90,150	90,150	94,207	96,447	98,447	Year 1: 1.25 FTE, Year 2: 1.25 FTE; Year 3: 1.25 FTE				
0	Teachers	734,450	734,450	950,774	1,162,338	1,162,338	Year 1: 12 FTE, Year 2: 15 FTE; Year 3: 18 FTE; \$57410 avg salary, growing at 4.5% per year, \$47750 of stipends and hourly pay.				
0	Substitutes	14,580	14,580	19,045	23,883	23,883	5.0% absence rate at \$135 per day.				
0	Counselors	121,638	121,638	124,760	130,375	130,375	Year 1: 2 FTE, Year 2: 2 FTE; Year 3: 2 FTE; \$58694 avg salary year 1.				
0	SPED	119,388	119,388	113,419	118,522	118,522	Year 1: 2 FTE, Year 2: 2 FTE; Year 3: 2 FTE; \$58694 avg salary year 1.				
	SUBTOTAL	1,080,207	1,080,207	1,302,205	1,533,564	1,533,564					
2000 Classified Employees											
4,800	Administration	43,200	48,000	72,105	75,350	75,350	Year 1: 1 FTE, Year 2: 1.5 FTE, Year 3: 1.5 FTE; \$45000 avg salary year 1.				
0	Other (Maintenance, etc)	33,178	33,178	34,671	36,231	36,231					
0	Substitutes	-	-	-	-	-					
0	SPED Paraprofessional	70,000	70,000	73,150	76,442	76,442	Year 1: 2 FTE, Year 2: 2 FTE; Year 3: 2 FTE; \$35000 avg salary year 1.				
4,800	SUBTOTAL	146,378	151,178	179,926	188,022	188,022					
3000 Employee Benefits											
1,000	Health Insurance	123,861	124,861	152,390	211,906	211,906	\$5676 per FTE per year, based on AUSDBenefits schedule, Growing at 14% per year.				
396	Social Security	8,977	9,373	11,155	11,657	11,657					
0	State Unemployment	-	-	-	-	-					
0	FUTA	1,232	1,232	1,512	1,580	1,580					
0	Medicare	17,574	17,644	21,695	25,135	25,135					
0	Other Payroll Taxes (ETT)	154	154	189	210	210					
0	STRS	89,117	89,117	108,368	127,497	127,497	Yr 1=8.25%, Yr 2=8.25%, Yr 3=8.25%, Yr 4=8.25%, Yr 5=8.25%				
0	PERS	14,069	14,069	16,744	17,497	17,497					
0	Other Retirement	-	-	-	-	-					
0	Workers Comp	36,798	36,942	44,804	52,003	52,003	3% per CCSA JPA quote for similar size school				
3920	Professional Development	-	-	-	-	-					
3921	Professional Development, classified positions	-	-	-	-	-					
1,610	SUBTOTAL	251,782	253,331	356,817	447,586	447,586					

Nea Community Learning Center
Budget Summary

	2009/10	2009/10	2009/10	2010/11	2011/12	2009/10
	Start up	Operating Budget	Budget	Budget	Budget	Notes
4000 Books and Supplies						
4100 Textbooks and Core Materials (6-12)	20,000	25,916	49,916	16,433	22,805	Based on actual costs calculated per grade level, replacement books included in out years.
4100 K-5 Books	15,000	10,600	25,600	2,460	2,472	\$200 per elementary student, based on actual costs per grade level, replacement books included in out years
4315 Custodial Supplies	-	-	-	-	-	
4320 Educational Software	10,000	-	10,000	10,300	10,609	Rosetta Stone
4325 Instructional Materials	-	95,480	95,480	114,309	134,183	\$310 per Student
4330 Office Supplies	-	6,000	6,000	6,180	6,365	
4335 PE Supplies	-	-	-	-	-	
4340 Professional Development Materials	-	-	-	-	-	
4410 Classroom Furniture and Equipment	5,000	-	5,000	5,150	5,305	
4420 Computers	15,000	15,000	30,000	30,900	31,827	25computers per year (\$1200 per computer)
SUBTOTAL	65,000	156,996	221,996	185,732	213,566	

Nea Community Learning Center
Budget Summary

	2009/10	2009/10	2009/10	2010/11	2011/12	2009/10	Notes
Start up	Operating Budget	Budget	Budget	Budget	Budget	Budget	
5000 Services and Other Operating Expenditures	-	7,500	7,500	7,725	7,957	7,957	Based on Hosaka Nagel quote, inclusive of 990 ring
5803 Accounting Fees	-	127,817	127,817	138,728	153,733	153,733	Full service back office including payroll, AP, Accounting, and Financial Analysis
5812 Business Services	-	3,000	3,000	3,090	3,183	3,183	
5820 Communications - Telephone & Fax	-	3,000	3,000	3,090	3,183	3,183	
5854 Consultants - Other	-	9,500	9,500	20,000	21,000	21,000	Based on experience from sister school
5954 Consultants - DVS Class	-	6,000	6,000	6,180	6,365	6,365	Based on experience from sister school
5954 Consultants - Digital Design	-	4,000	4,000	4,120	4,244	4,244	Based on experience from sister school
5954 Consultants - Electronic Music	-	57,289	57,289	69,227	81,672	81,672	Assumes Prop 39 ; 3% of Block and Categorical
5824 District Oversight Fees	-	1,848	1,848	2,212	2,587	2,587	\$8 per Student CCSA and CSDC
5905 Dues & Membership - Professional Associations	-	9,330	9,330	9,610	9,898	9,898	Copier and Phone System
5805 Equipment Leases	-	6,160	6,160	7,375	8,657	8,657	\$20 per Student
5930 Field Trips	-	1,594	1,594	1,912	2,208	2,208	\$75 per FTE
5836 Fingerprinting	-	3,080	3,080	3,687	4,328	4,328	\$10 per Student
5842 Health Services	-	13,860	13,860	18,593	19,478	19,478	\$45 per Student based on CCSA JFA quote for similar size school
5450 Insurance - Other	-	-	-	-	-	-	
5844 Interest Expense	-	-	-	-	-	-	
5515 Janitorial Services	-	6,000	6,000	6,180	6,365	6,365	Janitorial covered in payroll
5845 Legal Fees	-	-	-	-	-	-	
5849 Licenses and Other Fees	-	-	-	-	-	-	
5851 Marketing and Student Recruiting	-	5,000	5,000	5,150	5,305	5,305	\$5K for materials and recruitment events
5859 Miscellaneous Operating Expenses	-	2,000	2,000	2,060	2,122	2,122	Bladium rentals
5857 Payroll Fees	-	1,920	1,920	1,978	2,037	2,037	
5915 Postage and Delivery	-	4,620	4,620	5,531	6,493	6,493	\$15 per Student
5860 Printing and Reproduction	-	-	-	-	-	-	\$0 per Student
5953 Professional Development	-	18,000	18,000	23,175	28,644	28,644	\$1500 per Teacher
5975 Recruiting - Staff	-	4,000	4,000	1,545	1,591	1,591	\$500 per New Teacher
5610 Rent	-	12,000	12,000	12,360	12,731	12,731	
5615 Repair and Maintenance - Building	-	-	-	-	-	-	\$0 per ADA, based on joining El Dorado SELPA encroachment rate
5972 Special Education Encroachment	-	-	-	-	-	-	
5625 Storage	-	-	-	-	-	-	
5878 Student Assessment	-	5,852	5,852	7,006	8,224	8,224	\$0 per Student
5881 Student Information System	-	15,400	15,400	18,437	21,642	21,642	\$19 per Student
5887 Technology Services	-	6,000	6,000	7,725	9,548	9,548	\$50 per Student
5820 Travel and Lodging	-	78,540	78,540	94,029	110,376	110,376	\$500 per Teacher
5935 Utilities - All Other	-	-	-	-	-	-	\$255 per Student (\$25 per sq ft per month)
5856 Website Development	-	-	-	-	-	-	
SUBTOTAL	-	413,310	413,310	478,725	543,580	543,580	

Nea Community Learning Center
Budget Summary

	2009/10	2009/10	2009/10	2010/11	2011/12	2009/10
Start up	Operating Budget	Budget	Budget	Budget	Budget	Notes
8000 Capital Outlay	-	-	-	-	-	
8100 Sites & Improvement of Sites	-	-	-	-	-	
8200 Buildings & Improvement of Buildings	-	-	-	-	-	
8410 Computers	-	-	-	-	-	
8420 Furniture	-	-	-	-	-	
8430 Other Equipment	-	-	-	-	-	
SUBTOTAL						
	71,410	2,088,572	2,160,081	2,503,406	2,526,319	

TOTAL EXPENSES

Nea Community Learning Center
Cash Forecast

2009/10

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	AP/AR
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	
BEGINNING CASH	-	105,777	84,343	333,561	165,924	39,840	216,205	92,657	216,304	352,041	316,593	281,146	
INCOME	-	-	416,624	-	-	294,087	-	-	171,551	85,775	85,775	85,775	85,775
8015 State Aid	-	-	64,566	43,038	43,038	43,038	43,038	43,038	75,316	37,658	37,658	37,658	37,658
8780 Property Tax	-	32,278	49,742	-	-	35,112	-	-	20,482	10,241	10,241	10,241	10,241
8480 Charter Schools Categorical Block Grant	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - General Block Grant	-	32,278	530,922	43,038	43,038	372,237	43,038	43,038	267,349	133,674	133,674	133,674	133,674
8182 Special Education Reimbursement	10,973	10,973	10,973	10,973	10,973	10,973	10,973	10,973	10,973	10,973	10,973	10,973	-
8220 Child Nutrition Programs - Federal	125,000	-	-	-	-	-	-	250,000	-	-	-	-	-
8292 PCSGP	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Federal Income	135,973	10,973	10,973	10,973	10,973	10,973	10,973	260,973	10,973	10,973	10,973	10,973	-
8434 Class Size Reduction, Grades K-3	-	-	-	21,420	-	-	-	-	64,260	-	-	-	-
8545 School Facilities Appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-
8560 State Lottery Revenue	-	-	-	-	-	-	-	-	-	-	-	-	40,086
Subtotal - Other State Income	-	-	-	21,420	-	-	3,498	-	64,260	-	-	-	50,867
Subtotal - Local Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INCOME	135,973	43,251	541,894	75,430	54,010	383,209	57,508	304,010	342,581	144,647	144,647	144,647	184,542
EXPENSES	18,357	21,502	148,704	148,704	148,704	148,704	149,686	148,974	148,704	148,704	148,704	145,559	(211)
1000-3000 Compensation & Benefits	-	19,966	86,998	68,141	5,861	5,861	5,861	5,861	5,861	5,861	5,861	5,861	0
4000 Books & Supplies	11,839	23,216	56,974	26,222	25,529	52,279	25,529	25,529	52,279	25,529	25,529	52,279	10,660
5000 Services & Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
6000 Capital Outlay	30,196	64,685	292,676	243,667	180,094	206,844	181,056	180,364	206,844	180,094	180,094	203,699	10,369
TOTAL EXPENSES	105,777	(21,434)	249,218	(167,637)	(126,084)	176,365	(123,548)	123,646	135,737	(35,447)	(35,447)	(59,052)	174,173
NET OPERATING EXPENSES	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Year Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Year Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Proceeds (A.L.C. loans from accumulated fund balance)	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Balance Sheet Changes (prepaids etc)	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING CASH	105,777	84,343	333,561	165,924	39,840	216,205	92,657	216,304	352,041	316,593	281,146	222,094	
RESERVE	1,208	3,795	15,502	25,225	32,429	40,702	47,945	55,159	63,433	70,637	77,841	85,989	

Nea Community Learning Center
Cash Forecast

	2010/11											
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
BEGINNING CASH	222,094	336,171	394,862	341,873	255,793	221,940	164,005	121,533	189,133	370,029	371,755	373,481
INCOME												
8015 State Aid	-	73,522	147,044	98,029	98,029	98,029	98,029	98,029	257,204	128,602	128,602	128,602
8180 Property Tax	-	32,278	64,556	43,038	43,038	43,038	43,038	43,038	112,920	56,460	56,460	56,460
8480 Charter Schools Categorical Block Grant	-	8,778	17,556	11,704	11,704	11,704	11,704	11,704	29,872	14,936	14,936	14,936
Subtotal - General Block Grant	-	114,578	229,156	152,771	152,771	152,771	152,771	152,771	399,996	199,998	199,998	199,998
8182 Special Education Reimbursement	13,136	13,136	13,136	13,136	13,136	13,136	13,136	13,136	13,136	13,136	13,136	13,136
8220 Child Nutrition Programs - Federal	-	-	-	-	-	-	-	-	-	-	-	-
8292 PCSGP	25,000	-	-	-	-	-	-	50,000	-	-	-	-
Subtotal - Federal Income	38,136	13,136	13,136	13,136	13,136	13,136	13,136	63,136	13,136	13,136	13,136	13,136
8434 Class Size Reduction, Grades K-3	-	-	-	21,420	-	-	-	64,260	-	-	-	-
8545 School Facilities Appropriations	-	-	-	-	-	-	-	-	-	-	-	-
8560 State Lottery Revenue	-	-	-	-	11,648	-	-	-	11,649	-	-	11,648
Subtotal - Other State Income	-	-	-	21,420	11,648	-	4,188	64,260	11,648	-	-	11,648
Subtotal - Local Revenues	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INCOME	38,136	127,714	242,292	187,327	177,555	165,907	170,995	280,167	424,781	213,134	213,134	224,783
EXPENSES												
1000-3000 Compensation & Benefits	34,370	37,656	176,853	176,853	176,853	176,853	178,012	178,012	176,853	176,853	176,853	173,567
4000 Books & Supplies	-	6,573	72,439	66,231	5,061	5,061	5,061	5,061	5,061	5,061	5,061	5,061
5000 Services & Other Operating Expenses	12,784	24,775	66,052	30,323	29,494	61,970	29,494	29,494	61,970	29,494	29,494	61,970
6000 Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	47,153	69,004	315,344	273,408	211,408	243,885	212,567	212,567	243,865	211,408	211,408	240,598
NET OPERATING EXPENSES	(9,017)	58,710	(73,051)	(86,081)	(33,853)	(77,978)	(42,472)	67,600	180,896	1,726	1,726	(15,816)
Prior Year Revenue	133,674	-	20,043	-	-	20,043	-	-	-	-	-	-
Prior Year Expenses	(10,580)	-	-	-	-	-	-	-	-	-	-	-
Loan Proceeds (ACLC loans from accumulated fund balance)	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payments	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Other Balance Sheet Changes (prepaids etc)	-	-	-	-	-	-	-	-	-	-	-	-
ENDING CASH	335,171	394,882	341,873	255,793	221,940	164,005	121,533	189,133	370,029	371,755	373,481	357,666
RESERVE	1,886	4,646	17,260	28,196	36,653	46,408	54,911	63,413	73,169	81,625	90,081	99,705

Nea Community Learning Center
Cash Forecast

	2011/12											
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
BEGINNING CASH	357,666	524,581	597,415	521,731	432,086	398,034	318,048	287,402	304,665	508,856	507,589	506,322
INCOME												
8015 State Aid	-	88,939	177,879	118,586	118,586	118,586	118,588	118,586	296,770	148,395	148,385	148,385
8780 Property Tax	-	39,047	78,094	52,063	52,063	52,063	52,063	52,063	130,290	65,145	65,145	65,145
8480 Charter Schools Categorical Block Grant	-	10,468	20,937	13,958	13,958	13,958	13,958	13,958	34,272	17,136	17,136	17,136
Subtotal - General Block Grant	-	138,454	276,909	184,606	184,606	184,606	184,606	184,606	461,332	230,666	230,666	230,666
8182 Special Education Reimbursement	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420
8220 Child Nutrition Programs - Federal	-	-	-	-	-	-	-	-	-	-	-	-
8292 PCSQP	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Federal Income	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420	15,420
8434 Class Size Reduction, Grades K-3	-	-	-	21,960	-	-	-	65,940	-	-	-	-
8545 School Facilities Apportionments	-	-	-	-	-	-	-	-	-	-	-	-
8560 State Lottery Revenue	-	-	-	-	13,275	-	-	-	13,275	-	-	13,275
Subtotal - Other State Income	-	-	-	21,960	13,275	-	18,031	65,940	13,275	-	-	13,275
Subtotal - Local Revenues	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INCOME	15,420	153,875	292,329	222,006	213,301	200,026	218,057	285,966	490,028	246,086	246,086	259,362
EXPENSES												
1000-3000 Compensation & Benefits	40,737	44,172	208,585	208,585	208,585	208,585	209,934	209,934	208,585	208,585	208,585	205,150
4000 Books & Supplies	-	9,122	83,517	74,901	5,753	5,753	5,753	5,753	5,753	5,753	5,753	5,753
5000 Services & Other Operating Expenses	14,071	27,747	75,912	33,990	33,016	71,499	33,016	33,016	71,499	33,016	33,016	71,499
6000 Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	54,808	81,040	368,013	317,476	247,354	285,837	248,703	248,703	285,837	247,354	247,354	282,402
NET OPERATING EXPENSES	(39,388)	72,834	(75,684)	(95,470)	(34,052)	(85,810)	(30,646)	17,263	204,191	(1,267)	(1,267)	(23,041)
Prior Year Revenue	217,075	-	-	5,824	-	5,824	-	-	-	-	-	-
Prior Year Expenses	(10,771)	-	-	-	-	-	-	-	-	-	-	-
Loan Proceeds (A/C/LC loans from accumulated fund balance)	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payments	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Other Balance Sheet Changes (prepaids etc)	524,581	597,415	521,731	432,086	398,034	318,048	287,402	304,665	508,856	507,589	506,322	483,281
ENDING CASH	2,192	5,434	20,154	32,854	42,748	54,181	64,129	74,077	85,511	95,405	105,299	116,595
RESERVE												


ATTACHMENT C



M E M O R A N D U M

DATE: October 14, 2008

TO: ✓ Paul Bentz, CEO / Community Learning Center Schools, Inc.
Maafi Gueye, Lead Petition / Nea Community Learning Center

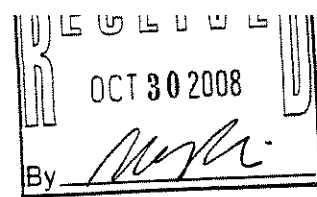
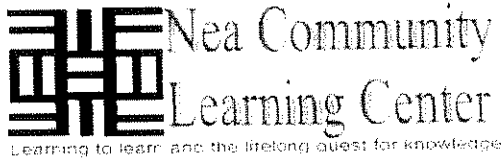
FROM: Ardella Dailey, Superintendent of Schools 

SUBJECT: NCLC Charter Proposal

We have completed an initial review of the NCLC Charter Proposal. Based upon that initial review, we identified the following sections which require revision:

- **Financial Audit (Page 60):** The proposal provides that any disputes regarding audit exceptions or deficiencies "*will be referred to the dispute resolution process.*" This is not acceptable because the fiscal oversight is so crucial to maintaining the liability shield for the District. The Charter Schools Act simply says that audit errors and exceptions shall be resolved to the satisfaction of the District. Any reference to the dispute resolution procedure should be deleted.
- **Insurance (Page 61):** The NCLC Proposal suggests a combined, per occurrence limit of "*not less than \$2,000,000*" for General Liability, Comprehensive Bodily Injury and Property Damage Liability. That is not enough insurance, and it leaves the District at risk. A single accident, e.g., a field trip, would quickly eclipse that coverage. It is more common to expect \$15,000,000 to \$20,000,000 in this coverage. It is our understanding that the California Charter Schools' Association offers coverage at these levels.
- **Dispute Resolution (Page 78):** The Charter Schools Act, as one of the Required Elements, references a dispute resolution procedure regarding provisions of the charter. The NCLC Proposal broadens the scope to include the MOU. The MOU should specify its own dispute resolution procedure, even if it turns out to be the same. The dispute resolution procedure in the NCLC Proposal should apply only to provisions of the Approved Charter.

We look forward to working with you as the NCLC Proposal continues through the required process.



Community Learning Center Schools, Inc. (CLCS)
California Public Charter Schools
210 Central Ave., Alameda, CA 94501
(510) 521-7543 x101 (510) 521-7350 FAX

October 30, 2008

Ardella Dailey
Superintendent of Schools
Alameda Unified School District

Concerning Nea Community Learning Center Charter School Application

Dear Ms. Dailey,

Attached please find our response to your memorandum dated October 14, 2008.
I believe that you will find our response to be satisfactory and we thank you for bringing these matters to our attention.

Sincerely,

Paul Bentz
Development Director
Nea Community Learning Center (NCLC)
CEO / Community Learning Center Schools, Inc. (CLCS)

CLCS CEO Paul Bentz agrees that the following changes may be made to the NCLC charter petition dated 10.3.08. These changes were requested by AUSD in a memorandum from Superintendent Ardella Dailey on Oct 14, 2008.

 Date 10/30/08
CLCS CEO Paul Bentz

The following redline changes shall be made to the charter petition submitted on ____, 2008 (text with a ~~strike through~~ will be removed and text that is underlined and italicized will be inserted):

Financial Audit (Page 60)

I. Annual, Independent Financial Audits and Insurance

An audit committee, made up of members of the CLCS Governing Board, will select an independent auditor through a request for proposal format. The auditor will have, at a minimum, a CPA and educational institution audit experience and will be approved by the State Controller on its published list as an educational audit provider. To the extent required under applicable federal law, the audit scope will be expanded to include items and processes specified in applicable Office of Management and Budget Circulars.

The audit will employ generally accepted accounting procedures and shall be conducted in accordance with applicable provisions within the California Code of Regulations governing audits of charter schools as published in the State Controllers K-12 Audit Guide.

The CEO of CLCS will oversee the audit and direct the auditor. The annual audit will be completed by December 15th of each year and a copy of the auditor's findings will be forwarded to AUSD, the California Controller, the ACOE Superintendent of Schools, State Board of Education, California Department of Education, or other agency as the State Board of Education may direct. The auditor will be hired by CLCS. The audit committee and the CEO of CLCS will review any audit exceptions or deficiencies and report to the NCLC Governing Board with recommendations on how to resolve them within 30 days. The NCLC Governing Board will submit a report to the District describing how the exceptions and deficiencies have been or will be resolved to the satisfaction of the District along with an anticipated timeline for the same. ~~Any disputes regarding the resolution of audit exceptions and deficiencies will be referred to the dispute resolution process referenced in this Charter.~~

The audit, and a report on the manner in which exceptions and deficiencies are resolved, will be provided to AUSD and the chartering agency within 30 days of the audit's completion. NCLC will then provide the chartering agency with regular updates on progress towards resolving exceptions and deficiencies.

Insurance (Page 61)

The chartering agency shall not be required to provide coverage to NCLC under any of the agency's self-insured programs or commercial insurance policies. The charter school shall secure and maintain, as a minimum, insurance as set forth below to protect NCLC from claims which may arise from its operations. The following insurance policies are required:

1. Workers' Compensation Insurance in accordance with provisions of the California Labor Code, adequate to protect NCLC from claims under Workers' Compensation Acts, which may arise from its operations.
2. General Liability, Comprehensive Bodily Injury and Property Damage Liability for combined single limit coverage of not less than \$2,000,000 for each occurrence with an excess liability coverage (up to) \$20,000,000 for each occurrence. The policy shall be endorsed to name the AUSD and the AUSD Board of Education as additional insureds.
3. Fidelity Bond coverage shall be maintained by NCLC to cover all charter school employees who handle, process, or otherwise have responsibility for charter school funds, supplies, equipment or other assets. Minimum amount of coverage shall be \$50,000 per occurrence, with no self-insured retention.

Dispute Resolution (Page 78)

N. Dispute Resolution Procedures

In order to ensure the smooth functioning of the NCLC within AUSD, we deem it essential to establish a mechanism for resolution of conflicts between the AUSD and the charter school. Disputes may arise in a variety of circumstances and at many levels in the respective organizations. As an important first principle, all members of the NCLC community will seek to resolve disagreements at their source, working with the individuals most familiar with the problem. If a dispute between the charter school and the AUSD concerning one of the provisions of the charter ~~or MOU~~ arises, the first formal step towards resolution will be to first frame the issue in written format ("dispute statement") and bring the issue to a meeting between the NCLC CEO / Development Director and the AUSD Charter School Liaison not later than 5 business days from receipt of the dispute statement. If a second formal step is needed for resolution, three representatives from the NCLC Governing Board will meet with representatives from the AUSD Board of Education or its designee within 15 business days from receipt of the dispute statement to jointly identify a neutral third party mediator to engage the parties in a mediation session designed to facilitate resolution of the dispute. The format of the mediation session shall be developed jointly by the representatives. Mediation shall be held within sixty business days of receipt of the dispute statement. Costs for the mediation will be shared equally by the AUSD and the NCLC. Should mediated dispute resolution fail, the parties will have recourse to whatever legal remedies may be available.

