

Status of DCP

January 21, 2025

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Interim Executive Director

Budget Shortfalls and Adjustments

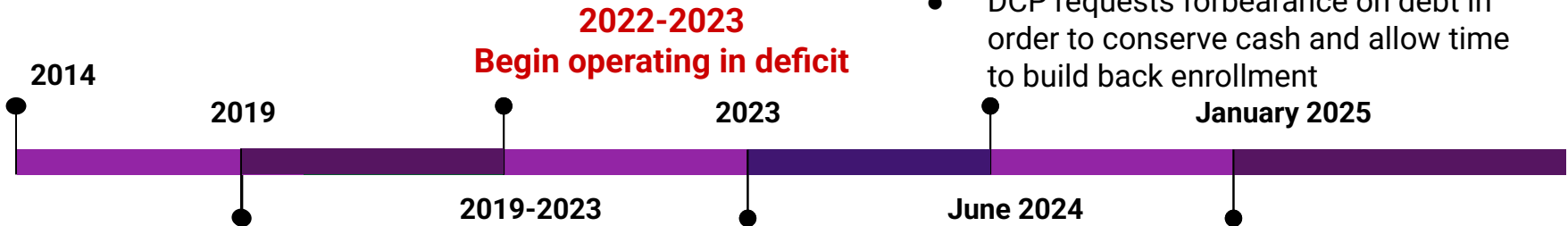
New Campus; Debt Financing

- Alma building purchased and thoroughly renovated
- Bonds issued for \$34MM
 - Enrollment projected to continue at **1500**

COVID-19 Relief Funds

- State and Federal funding increases for COVID-19 help support all educational operating expenditures

- Enrollment continues to decline; major expense reductions are implemented
 - ARHS is closed
 - Layoffs at site and central services
 - Central office moves out of Sobrato building
- DCP requests forbearance on debt in order to conserve cash and allow time to build back enrollment



COVID-19

- Enrollment in Santa Clara County steeply declines during COVID
- Birth rates in SCC are also declining

End of Relief Funding, Enrollment Decline

- COVID-19 relief ends.
- As enrollment declined, revenues fell short of expenses causing DCP to operate at a loss and use our cash reserves

Financial Crisis

- With no forbearance agreement, DCP's cash reserves are projected to be critically low by June 2025



We have implemented:

- 3 rounds of staff layoffs in the past year, in addition to staff layoffs in 2020-2021 school year
- Closing Alum Rock High School
- Central office consolidation and layoffs moving out of Sobrato
- Receipt of donated funds from DCPF (twice)
- Fundraising efforts and donation requests
- Enrollment and recruitment efforts, parent incentives for referrals
- Salary reductions and freezes

We have reviewed/researched/modeled:

- Additional reduction of personnel (administrative, support staff)
- Closing one additional school – impacts on other schools
- Enrollment level needed to break even
- Possible partnerships (sharing Alma's school building) to alleviate burden of bond debt
- Considering movement into another property
- 1 year, 18 month, and 3 year loan forbearance requests
- Exploration of merging with another charter school organization
- Combining all variables in different formats and chronologies

4 Key Pivot Points for 2024-2025

Considering our entry point for the 2024-2025 school year, we proposed having quantifiable benchmarks to determine our status:

- Receiving forbearance on two loans
- Budget addresses monthly cash flow deficit
- Enrollment targets are met
- Negotiating with SBEU & external partners

Progress against 4 Key Pivot Points is not favorable

- **Positive:**

- Agreement with SBEU on final 24/25 wages

- **Not Positive:**

- Enrollment vs budget: Current enrollment is 968
- Agreement with debt holders: Not yet in place & **will not** be retroactive to July
- Other announced local school closures will most likely not help enrollment at DCP (different areas)

Current Reality: Operating Deficits at all Schools

- ARMS: **-\$1.52 MM**
- El Camino: **-\$1.32 MM**
- El Primero: **-\$1.48 MM**

Cash reserves in our Fund Balance, as predicted, will run out by the end of the year unless we receive forbearance

The deficit (approximately \$4.5MM at the end of June 2025) is a result of receiving less revenue from lower enrollment, continuing to “pay rent” that is above our budget.

January Plan

- Board of Directors and Charter Impact (finance partner) working to identify a plan for continuing viability at the end of a forbearance period (if forbearance can be obtained). Until a decision is made, we continue to work on all possible options.

Decision-Making & Feedback from Community

Importance of timeline:

- Feedback from students, parents and staff regarding the ARHS closure experience has been extremely valuable
- In Parent and Staff Townhalls this week, overwhelming feedback has been to make a decision “sooner than later”
- Jan-Feb is open enrollment and registration for charter schools and local school districts
- Responsible and organized planning for students, staff and community takes time and consideration

Recommendation to the DCP Board of Directors:

After thorough consideration by the Interim Executive Director and the Board Executive Committee, we are requesting that the Board consider two options for improving the fiscal status of DCP schools:

- Continue operation of DCP schools and continue to negotiate for forbearance or other options for financial sustainability into the 2025-2026 school year***
- Discontinue operation of DCP schools considering the importance of timing for students, parents and staff at the end of the 2024-2025 school year***