

Dear Mystic Valley parents:

As a result of conversations following recently published articles in the Boston Globe it is important for you to understand the School's finances and operations in order to be prepared to inform those who may not understand or who are misinformed:

1. Mystic Valley's funding is almost entirely derived from our per-student allocation, which is determined by the State of Massachusetts based primarily on the average per pupil expenditure in each student's sending district.
2. In one of the articles, the Globe correctly stated that Mystic Valley had \$5.6 million dollars in cash on June 30, 2009. What it failed to report was that \$3.1 million of that amount was our quarterly payment from the State which was received on June 30th. The quarterly payment is used to run the school for the next quarter. It takes approximately three million dollars per quarter to run Mystic Valley, so in reality our actual surplus was \$2.5 million. This is very positive but it is less than one quarter's cushion. Recognizing the annual ups and downs in State education funding through the years the Board of Trustee's has always operated with an eye toward making sure that our finances will balance out during tough times. To date Mystic Valley has never had to cut positions - unlike most of the school districts surrounding us. We believe "saving for a rainy day" is the common sense and prudent way to operate. Saving during good economic times has also allowed the school to purchase needed property during down economic times when prices are more favorable. The Maplewood purchase and the current Davidson purchase are prime examples and were not lucky mistakes.
3. During our 12 years in existence; Mystic Valley, on some occasions, has received facility money. When received it has been a small amount which must be voted on in the annual state budget and divided up between all Charter Schools. We do not count on this funding source to operate the school because of the uncertainty of its receipt and when granted the funds are generally saved unless actual property acquisitions are to be made or significant capital improvements are needed.
4. Unlike the local public school districts which have all received state reimbursements ranging from 70% to as high as 90% for their new school buildings, constructed over the last decade plus, charter schools are not eligible for any School Building Assistance funding and must finance any facilities through savings and/or debt. As an example, Malden's new and renovated public schools cost over \$220 million dollars to construct and renovate with over 90% of the work funded by the Commonwealth of Massachusetts. That works out to be about \$35,000 per enrolled child spent of which \$31,500 is reimbursed by the state. Mystic Valley by contrast which owned zero land and zero buildings when it opened in 1998 has spent \$15,000,000 or \$11,000 per enrolled student out of annual operating funds, as again we are not eligible for a single penny in School Building Assistance funding unlike every general public school district.
5. A key fact to keep in mind and to inform others questioning why we need property, is the following; the National Median square foot/per student in schools constructed today for K-8 is 140 sq-ft/student and for High School is 165 sq-ft/student. Mystic Valley's sq-ft per student today, including all buildings, offices, houses etc., is 80 sq-ft per student. Our sending school

districts are near or exceed the national median numbers. Malden Public School's average is over 175 sq-ft per child. Mystic Valley has administrative offices and special education offices off site, simply because we need adequate educational space. A positive result of the compact nature of our space is it allowed us to save substantial amounts of money in terms of utilities, maintenance and general operations costs over the years. Because we have been prudent, there are those out there who believe we should give the money saved back to the same systems that have overbuilt and been reimbursed for much of those buildings. Please understand if any Charter School does not demonstrate its ability to consistently save money it cannot then borrow money. Our situation is much like a couple which buys a starter condo and then has four kids and wants to move to a bigger home. If that couple then walked into a bank and asked for a loan for a bigger house to fit their family, but had no savings or additional income, no bank would even consider loaning them money to fund something they had no ability to pay back, at least not today. Charter Schools are no different.

6. The Fire Station we own and the single family homes we own are contiguous to the schools we currently occupy in Maplewood. Eventually we would like to have substantially more play area for our K-8 campus which houses over 1,000 students. If you take a look at those properties the next time you are on the campus you will see how this could occur. Today our Lower School has 14 square ft per child of play area. Malden Public Schools K-8 students have 64 Sq-Ft per child or 5.5 times the space.
7. The ownership and rental of the Malden Fire Station has allowed us to rent the facilities in Maplewood Square and most importantly swap its use for our playing field needs in the City of Malden. Without owning the Fire Station Mystic Valley would have had little to no field access. Throughout the twelve years of our existence, getting field time has been a monumental task. Malden, in all likelihood, will not occupy the Maplewood Station forever. Given that fact it is important that the School solidify its field time, as much as possible, for the long term in a different manner. Our agreement to help the City of Malden renovate Roosevelt Park will give our lacrosse team, softball team and soccer teams a quality field to practice and play games on for twenty years. This field is three blocks up from the lower school and 50 yards from the Davidson Site.
8. Mystic Valley has the most extensive extracurricular, intramural, and athletic program of any charter school in Massachusetts. We currently offer seventeen varsity sports and many sub-varsity sports including elementary school teams. Mystic Valley currently has only one gym, a non-standard basketball court with nine foot baskets at the Lower School. We sublet the facility we rent in Everett and our lease there ends in July of 2011. The Everett facility had fourteen classrooms and was never intended for anything other than a short term fix when we were forced to move from the Franklin School in Melrose due to that City's needs. The Board of Trustees, based upon strong parent feedback and also upon an initial high student attrition rate between the 8th and 9th grade, believes that a comprehensive competitive high school athletic program is an important component of the overall Mystic Valley experience. Along with the myriad of clubs and activities the school provides; we believe these components build long term camaraderie and hopefully a dedicated alumni association in the future. There has been a direct

correlation between our significantly improved High School retention rate and the development of the successful athletic and extracurricular programs we offer today.

9. The State recently passed a law which limits a Charter Schools surplus to no more than 20% of its annual revenue less capital expenditures. The passing of this law is a poison pill to charter schools operating in a prudent financial manner and ultimately forces them into the typical municipal spending philosophy of "spend it or lose it". Had this law existed in our first twelve years of existence it would have been nearly impossible for us to have acquired the school facilities which we did. Charter schools were designed to bring change and new ways of doing things to the general public schools. Rather than reward successful charter schools for showing how things can be done more efficiently and effectively, those schools that have succeeded the most will be penalized or forced to change their model so as not to expose the tremendous waste in the general public system. It will also insure that charter schools will forever be banished to sub-par facilities or risky high debt in order to fund adequate facilities, as prudent saving over many years as we have done is now discouraged and essentially precluded. As an example of the inequity of the new law take for example Mystic Valley: to build a new school, at 125 sq ft per student, we would need to build a 175,000 square foot facility. The cost of such a project even if it could be done at \$250 per square foot, which is significantly below the current market rate, would be \$43 million. For a bank to consider financing the school for such a project it would have to be able to put at least 20% down (\$9 million dollars) which would take years to save but would put our school about \$6 million beyond the new laws' 20% surplus threshold. As the new law exists, the State would claim any money over \$2.8 million at MV and give it back to the local school districts, thus penalizing us for operating efficiently and rewarding them for operating inefficiently. Again, if you hear some saying charter schools should return the surplus, please understand a surplus is the only way a charter school can get a loan to buy a facility. Without having the ability to save, Charter Schools will forever be relegated to a second tier status. Some might even suggest this was the intention of this portion of the new law.
10. The articles reference claims that are always brought forward that Mystic Valley, and charter schools in general, do not have the same students as the general public schools and that we force children out of school. As anyone with children in the school knows, the only way into Mystic Valley is through the annual lottery which is required by law. Therefore, we are completely open to all students, except for the States' mandated 9% District Cap which in the past has only impacted Malden residents. As for forcing children out, Mystic Valley has never expelled a student in twelve years and we have maintained an annual attrition rate of between 4-6% per year over the last five years which is equal to the wealthiest school districts in Massachusetts and substantially lower than most of our sending districts. This is absolutely an advantage to our school but it is a result of delivering a quality education. People speak with their feet when things are bad and the reverse is also true. It is worth noting that approximately 10% of the students at Mystic Valley live outside our sending districts. These students' families have moved to different towns since enrolling at Mystic Valley but still choose to commute to Mystic Valley each day.
11. Some people point out that we have fewer special education students than the Massachusetts average. There is somehow the thought that because the Massachusetts general public schools

classify 15% of their students as Special Education that this is the correct figure. The National Average is 12% and Mystic Valley is 8%. Mystic Valley admits students by virtue of a lottery. There is no way to determine whether a child will need Special Education services from their lottery application. Our contention is that our Direct Instruction Reading program which was developed for special needs children lowers the incidence of children actually needing to be classified. One must also understand that Charter Schools are excluded from taking certain special needs children, about 3%, but those costs are not included in the calculation of our per student funding. Mystic Valley currently employs 19 separate professionals in its Special Education department and performs extensive evaluations and assessments of all of its students to ensure that each Mystic Valley student is able to learn to the best of his/her ability.

12. Finally, the Board is ecstatic about the acquisition of the Davidson Chevrolet property as four acres provides the school with significant long term flexibility. What educational purpose Mystic Valley uses the space for in the near future may be entirely different in the long term. As for the near term, all we absolutely know is that we need to be out of the Everett gym by July of 2011. This will leave us with a need for a field house and as such today that is our first priority. All other possibilities in the near and long term will be explored and determined, largely based upon need and funding capability. Having flexibility is the key.

Thank you for your continued support.

Respectfully,

Neil Kinnon
Chairman, Board of Trustees