

the number of schools—both traditional public and charter schools—it could bode well for the academy’s overall demand.

### **Florida Windstorm Damage Issues**

Windstorm damage insurance is a growing concern for Florida business owners given the recent statewide surge in premium costs. The academy has historically had an adequate amount of windstorm damage coverage, but is currently searching for a reasonably priced policy; the current policy expired in August 2006. With almost all of the school’s operations currently located at one site, severe windstorm damage without adequate insurance coverage could affect the ability to serve students and therefore generate per-pupil revenues to service debt. The school has covenanted to retain an insurance consultant to aid in the procurement of a new policy. Should the school suffer uninsured hurricane damage that is significant enough to interrupt classes and dramatically affect the ability to pay debt service, the credit would likely be placed on CreditWatch with negative implications, and the rating could be changed.

### **Financial Management Assessment/Management**

Palm Bay Academy’s management practices are considered vulnerable under Standard & Poor’s Financial Management Assessment (FMA). An FMA of vulnerable indicates that the school lacks policies in many of the areas deemed most critical to supporting credit quality. Under its current board governance, the school is in the process of adding more financial and other controls to improve its policies. Among the positive changes in governance structure is a staggering of board terms to eliminate full board turnover and provide more continuity. Full turnover has occurred in the past. At the day-to-day operations level, a management team led by the principal/chief administrator/founder does create some administrative concentration. While an informal succession plan has been discussed, a formal process is not currently in place in the event of an unexpected management change.

Day-to-day operations are overseen by a three-member management team led by the school’s founder. Dependence on this central figure does lead to some management concentration and possible concerns about long-term leadership. Expansion plans will place further demands on current management, and without a broadening of administrative duties there is a concern it could affect operations as the school and locations grow.

### **Local Economy And Charter Sponsor**

Palm Bay (GO rated ‘A+’) encompasses 69 square miles in southern Brevard County, roughly 75 miles from Orlando. The city, which is only 35%-40% built out, has been experiencing strong growth over the past five years. Population, estimated at 94,152, has grown about 24% since 1999. The city’s assessed value, which has been growing rapidly, increased 36% in 2005 to reach \$3.9 billion—fueled mostly by market appreciation. Management estimates that roughly 90% of the 36% increase in assessed value is attributable to appreciation. Residential development had been moderate during the late 1990s, but has picked up steam over the past several years. Despite this increased growth, housing in the city is still very affordable, with the median home price estimated at \$95,000. Damage from two hurricanes that struck in 2004 is not expected to have an adverse impact on the continued growth of

*Florida Development Finance Corp.  
Palm Bay Academy Inc.*

The school's relationship with its sponsor is good. Brevard County has 13 charter schools in total. The recently approved expansion to high school for the academy will be the county's first charter high school. To date, the county has closed two charter schools; both closures were related to either low test scores or financial mismanagement.