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CALIFORNIA STATE BOARD OF EDUCATION

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March 9, 2023

Mr. LaMar Brown, Board President
Dr. Gabriel Ramirez, Executive Director
T.I.M.E. Community Governing Board
2100 West Cleveland Ave.
Montebello, CA, 90640

Dear Board President Brown, Executive Director Ramirez, and T.I.M.E. Community Governing Board:

Subject: Notice of Violation Pursuant to California *Education Code* Section 47607(g)

The California State Board of Education (SBE) has been made aware of violations that, if not resolved immediately by the T.I.M.E. Community (T.I.M.E.) Board, will directly impact the ability of T.I.M.E. to continue operations for the remainder of the 2022–23 school year as well as for future school years.

Instances/Evidence of Violation

The Los Angeles County Office of Education (LACOE) and the SBE find that the T.I.M.E. Board has engaged in fiscal mismanagement (California *Education Code* [EC] Section 47607[f][3]).

T.I.M.E.'s fiscal condition has continued to deteriorate since last fiscal year due to a structural deficit. T.I.M.E.'s projected revenues are insufficient to meet its operational expenses and financial commitments. T.I.M.E. continues to base its budget and multiyear projections on unrealistic enrollment and financial projections, and has not exercised the prudent fiscal management necessary to achieve fiscal stability and viability.

Due to deficit spending and cash deficiencies, T.I.M.E. has missed debt repayment deadlines, including all six promissory notes issued during 2021–22 for a total of \$280,376. According to T.I.M.E.'s 2021–22 audit report, it incurred an operating deficit of \$378,107 and a negative ending net asset of \$268,436. In a letter dated January 27, 2023, T.I.M.E.'s independent auditor notified T.I.M.E.'s Board that its 2021–22 ending negative net position of \$268,436 and its projected deficit in 2022–23 are key factors that raise substantial doubt about T.I.M.E.'s ability to continue as a going concern. Its auditor also disclosed the promissory notes (personal loans) totaling

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\$281,348 that have lapsed (defaulted) and remain unpaid, along with an outstanding \$100,000 loan obtained from the Charter School Revolving Loan Fund Program administered by the California School Finance Authority.

LACOE continues to have substantial doubt concerning T.I.M.E.'s ability to meet current year financial obligations, including payroll and related expenses, and its ongoing financial obligations. T.I.M.E. poses increased risks of cash shortfalls and further insolvency.

Unrealistic Enrollment and Average Daily Attendance Projections

The table below summarizes T.I.M.E.'s enrollment and average daily attendance (ADA) projections compared to actual data.

Criteria	2021-22 Adopted Budget	2021-22 Certified Second Principal Apportionment	2022-23 Adopted Budget	2022-23 First Interim Report Projection	2022-23 First Principal Apportionment Attendance Report
Enrollment	165 students	40 students	110 students	64 students	65 students
ADA	156.75	34.37	104.50	60.80	55.55

T.I.M.E.'s 2022-23 First Interim Report projects enrollment of 64 students and ADA of 60.80, representing a decrease of 43.70 ADA, or 41.82 percent from its 2022-23 adopted budget of 104.50 ADA. Additionally, T.I.M.E.'s 2022-23 First Principal Apportionment (P-1) Attendance Report reflects ADA of 55.55, a decrease of 5.25 ADA or 8.63 percent from its 2022-23 First Interim Report projection. The estimated impact to T.I.M.E.'s latest budget is a reduction in the Local Control Funding Formula (LCFF) revenues of approximately \$80,000 should the projected ADA fail to materialize.

Financial Projection and Actual Results

The table below provides a summary of T.I.M.E.'s financial projections for fiscal years 2021-22 and 2022-23, and actual results through December 31, 2022.

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Criteria	2021-22 Adopted Budget	2021-22 Audit Report (Actuals)	2022-23 Adopted Budget	2022-23 First Interim Report Projection	July to December 2022 Actuals
Total Revenues	\$2,386,765	\$708,430	\$2,126,369	\$1,379,715	\$316,781
Total Expenditures	\$2,010,305	\$1,086,537	\$1,617,239	\$1,448,027	\$741,050
Surplus (Deficits)	\$376,460	(\$378,107)	\$509,130	(\$68,312)	(\$424,269)
Beginning Net Position	\$91,812*	\$109,671	(\$223,995)*	(\$268,436)	(\$268,436)
Ending Net Position	\$468,272	(\$268,436)	\$285,135	(\$336,748)	(\$692,704)

* Estimated amount at the time of budget development.

As illustrated in the table above, T.I.M.E.'s 2021-22 adopted budget projected an operating surplus of \$376,460 and an ending net position of \$468,272. Due to T.I.M.E.'s substantial enrollment shortfall, T.I.M.E. incurred a deficit of \$378,107 and an ending net position of negative \$268,436 in 2021-22. T.I.M.E.'s 2022-23 adopted budget projected a surplus of \$509,130 and an ending net position of \$285,135. However, its 2022-23 First Interim Report projection reflected a revised budget and projects an operating deficit of \$68,312; an ending net position of negative \$336,748; and a reserve for economic uncertainties of negative 23.3 percent.

In addition to a substantial reduction in the projected revenues due to enrollment and ADA shortfall, T.I.M.E. is incurring increased operational costs, including a long-term commitment under its five-year lease agreement. The first interim report projects facility leases and related expenses totaling \$412,786, an increase of \$340,941 or 475.0 percent from its 2021-22 facility leases related expenses. The budget for the facility leases and related expenses represents 42.9 percent of T.I.M.E.'s 2022-23 projected LCFF revenues of \$962,625.

The table below provides a summary of changes in T.I.M.E.'s financial position from July 1, 2022, to December 31, 2022.

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Criteria	July 1, 2022	December 31, 2022	Year-to-Date Change	Year-to-Date Percentage Change
Total Assets	\$226,663	(\$19,432)*	(\$246,095)	(149%)
Total Liabilities	\$495,099	\$673,273	\$178,174	36%
Total Net Assets	(\$268,436)	(\$692,705)	(\$424,269)	158%

* Negative total assets include factored (sale) receivables of negative \$247,600 net of other assets, including a cash balance of \$14,189.

T.I.M.E.'s financial activities from July 1, 2022, to December 31, 2022, resulted in an operating deficit of \$424,269; an ending net assets of negative \$692,704; and a reserve for economic uncertainties of negative 47.8 percent based on T.I.M.E.'s 2022–23 first interim projected expenses. T.I.M.E.'s reserve is far below the 3 percent minimum reserve requirement, which is outlined on page 18 in section 3.4 (Revenue and Expenditure Reporting) of its memorandum of understanding (MOU) with LACOE.

LACOE remains concerned that T.I.M.E. has not developed and implemented a recovery plan necessary to prevent further deteriorating of its financial condition. T.I.M.E.'s Statement of Financial Position, as of December 31, 2022, reflected total assets of negative \$19,432; total liabilities of \$673,273; and an ending net position of negative \$692,704. Included in the total liabilities are various personal promissory notes totaling \$279,444 and a Charter School Revolving Loan of \$86,668. T.I.M.E.'s ability to repay outstanding liabilities will depend on future revenue growth in excess of operational costs.

T.I.M.E.'s structural deficit, rising debts, and lack of a viable plan to address its dire fiscal condition, leave in doubt T.I.M.E.'s ability to secure additional funding to satisfy its immediate and future financial obligations, inclusive of payroll obligations.

Cash Flow Projection

As of December 31, 2022, T.I.M.E. has a low ending cash balance of \$14,189, representing only 3.6 days of operating cash based on T.I.M.E.'s first interim projections. T.I.M.E.'s November 2022 cash flow projection reflects positive ending cash balances for the remainder of the fiscal year, with a projected June 2023 ending cash balance of \$52,352. The projection incorporated cash proceeds from the sales of future State Aid receivables totaling \$586,400. The cash projection also includes facility sub-leasing cash receipts totaling \$126,667 and Senate Bill 740 grant totaling \$49,699. However, T.I.M.E.'s projected cash receipts appear to be overstated

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based on the two executed sub-lease agreements as of December 31, 2022. These two leases can potentially generate a combined monthly income of \$6,570, lower by \$10,097 compared to T.I.M.E.'s projected monthly cash receipts of \$16,667. T.I.M.E.'s 2022-23 adopted budget projected sub-lease revenues totaling \$247,500 but has revised that amount to \$126,667, which is currently overstated. In addition, the budgeted SB 740 grant of \$66,266 and projected cash receipts of \$49,699 are also in question since T.I.M.E. has not received an award letter for this grant. Further, T.I.M.E. may incur additional loss of revenues in the current fiscal year should the current attendance decline, which could place an additional burden on T.I.M.E.'s cash requirements.

LACOE remains concerned that the cash projection continues to be overstated and that T.I.M.E. may not be able to meet its financial obligations for the remainder of this fiscal year.

Additional Concern

Personal Loan to the School Executed Prior to T.I.M.E. Board Approval

T.I.M.E.'s Board-approved fiscal policies included in the charter petition state that the governing board will approve all loans from third parties. On January 31, 2023, LACOE received a promissory note for a loan to T.I.M.E., which was executed on January 12, 2023. LACOE staff contacted T.I.M.E. to determine if T.I.M.E.'s Board had approved the promissory note on or before January 12, 2023. T.I.M.E.'s executive director stated that T.I.M.E.'s Board approved the promissory note on January 31, 2023. The T.I.M.E. Board's approval of the promissory note after it was executed is a direct violation of T.I.M.E.'s adopted fiscal policies. The matter poses concerns regarding the internal controls and T.I.M.E.'s adherence to the checks and balances delineated in its fiscal policies. This is also a direct violation of the MOU between T.I.M.E. and LACOE, which requires notification prior to the school incurring additional debt.

As of January 31, 2023, T.I.M.E. has outstanding promissory notes due to its executive director totaling \$228,548, comprised of \$219,444 in principal and \$9,104 in accrued interests. In addition, there are also two other outstanding promissory notes totaling \$120,000 due to two other individuals (\$60,000 each). T.I.M.E. has not provided a plan to repay its outstanding debts.

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Right to Respond to Violation

Pursuant to *California Code of Regulations*, Title 5 (5 CCR) Section 11968.5.2, the T.I.M.E. Board has the right to respond to this communication through the following actions:

- (1) Submit to the SBE a detailed, written response addressing each identified violation which shall include the refutation, remedial action taken, or proposed remedial action by the charter school specific to each alleged violation. The written response is due by **5 p.m. on Thursday, March 23, 2023**.
- (2) Attach to its written response supporting evidence of the refutation, remedial action, or proposed remedial action, if any, including written reports, statements, and other appropriate documentation.

Failure to provide substantial evidence that refutes, remedies, or proposes to remedy the alleged violations may provide grounds sufficient to form the basis for an action to revoke the T.I.M.E. charter, pursuant to *EC* Section 47607(f).

On April 18, 2023, T.I.M.E. will have an opportunity to present its evidence to refute or remedy each alleged violation to the Advisory Commission on Charter Schools (ACCS). The ACCS will review the evidence and discuss the items in a public forum, and may make a recommendation to the SBE.

On May 17, 2023, the SBE, in a public hearing, will consider whether there is substantial evidence to refute or remedy each alleged violation, at which time it may issue a Notice of Intent to Revoke, pursuant to *EC* Section 47607(h). If the SBE issues a Notice of Intent to Revoke, the SBE will hold a public hearing on May 18, 2023, at which time the SBE will determine whether sufficient evidence exists to revoke T.I.M.E.'s charter.

This letter serves as a formal Notice of Violation, pursuant to *EC* Section 47607(g) and 5 CCR Section 11968.5.2, and provides T.I.M.E. a reasonable period in which to address these concerns.

A written response and supporting evidence addressing each of the above-outlined issues must be received by LACOE and the California Department of Education (CDE) by **5 p.m. on Thursday, March 23, 2023**, via email at ciccarelli_indra@laoe.edu and sbeoversight@cde.ca.gov.

If you have any questions regarding this subject, please contact Indra Ciccarelli, Director, LACOE Charter Schools Office by email at ciccarelli_indra@laoe.edu or

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Stephanie Farland, Director, CDE Charter Schools Division by email at
sfarland@cde.ca.gov.

Sincerely,



Dr. Linda Darling-Hammond, President
California State Board of Education

LDH:mh

cc: Brooks Allen, Executive Director, California State Board of Education
Len Garfinkel, General Counsel, California Department of Education
Stephanie Farland, Director, Charter Schools Division, California Department of
Education
Indra Ciccarelli, Director, Charter Schools Office, Los Angeles County Office of
Education

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Sent via First Class Mail and Email to:

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