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For more information regarding the content of this material, please contact the Charter Schools Division by email at charters@cde.ca.gov.



A Life Preparatory
Charter Public School in
Highland Park

June 1, 2024

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VIA ELECTRONIC MAIL TO SBEOVERSIGHT@CDE.CA.GOV

Re: Response to CDE Notice of Concern of MAY 6 2024

Ms. Kwok:

The Avance Governance Board and Avance school leadership have prepared this response to the CDE Notice of Concern of MAY 6 2024.

A special meeting has held today by the Avance Governance Board during which the 2024-2025 Avance Fiscal Correction Action Plan was approved, which is included in this response.

This response addresses each of these five observations of the CDE notice:

- the Avance budget reserve balance
- the Avance bank cash balance
- the Avance cash flow plans
- the strategy to meet short-term obligations, such as salaries, rent, utilities, as well as the insurance and employee benefits
- an explanation for the significant drop in ADA counts from P-1 to P-2

The Avance response provides specific explanations for each observation, along with the planned actions and timelines for improving the financial condition of Academia Avance.

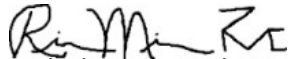
As an attachment we send the agenda for today's special meeting of the Avance Governance Board with the action item for approval of the Fiscal Correction Action Plan, and a PDF of the resolution of the approved action, signed by the Secretary. The board-approved minutes of today's special meeting will be submitted following the next meeting of the Avance Governance Board.



Should additional information be needed, please contact me via email at Ricardo.Mireles@AcademiaAvance.com, or directly at 323-216-8177.

This is a challenging moment for Academia Avance. We renew our commitment to deliver on the mission of our charter, and we are confident that can overcome the present and future challenges. Thank you for the charter oversight provided.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ricardo Mireles', with a stylized 'R' and 'M'.

Ricardo Mireles, Executive Director

cc:

Miguel Ángel Juárez, President

Ric Reyes, Education Programs Consultant, Charter Schools Division, CDE

**Response to CDE Notice of Concern of MAY 6 2024
and
2024-2025 Avance Fiscal Correction Action Plan
June 1, 2024**

Introduction

The Charter School Division of the California Department of Education's (CDE) is charged with oversight of the current charter of Academia Avance (Avance). The charter was authorized on March 12, 2020 by the State Board of Education (SBE). The operations of Avance follow the current Memorandum of Understanding (MOU) between Avance and the SBE. The CDE transmitted a notice of concern to Avance on May 6, 2024, with the criteria that Avance has a fiscal reserve that is not sufficient, as established by the MOU, with five observations.

This document presents, as requested, a specific explanations for each observation, along with the planned actions and timelines for improving the financial condition of Academia Avance as a Fiscal Correction Action Plan (FCAP). In a special meeting of the Avance Governance Board (AGB) on June 1, 2024, the AGB reviewed and ratified a resolution for the 2024-2025 Academia Avance Fiscal Correction Action Plan. The parameters of the FCAP shall define the Preliminary Budget Report for fiscal year 2024–2025 that is to be submitted by Avance to the Charter Schools Division on or before July 1, 2024.

May 6, 2024 CDE Notice of Concern Observations

The CDE review of the FY 2023-2024 second interim financial report submitted on March 14, 2024 identified five observations, as presented in the May 6 notice of concern:

1. The Avance budget reserve balance of 4.86%, thus below the 5% level specified by the MOU. Page 13 of the MOU specifies that Avance is to maintain a reserve at a level at least equivalent to a school district of similar size as identified in California Code of Regulations, Title 5 Section 15450. This level has been established by the CDE to be 5% for Academia Avance.
 2. A significant decrease of the cash balance of the Avance bank accounts, falling to \$148,002.27 at March 29, 2024, from \$345,443.40 at February 29, 2024.
 3. A high share of invoices overdue more than 30 days reported by the March 2024 Aging Report, expected to affect the Avance cash flow plans for the final quarter of FY 2023-2024. The March 29, 2024 Accounts Payable balance was \$594,877, with \$455,535 (77%) past due more than 30 days.
 4. The liquidity issues expected for the final quarter of FY 2023-2024, given the projected June 30, 2024 ending cash balance of \$32,737, thus making it difficult for Avance to meet short-term obligations, such as salaries, rent, utilities, as well as the insurance and employee benefits.
 5. The significant drop in ADA counts from the P-1 to P-2 certified attendance reports, which will result in a significant decrease in Local Control Funding Formula (LCFF) revenue disbursements for the close of FY 2023–2024.
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A specific explanations for each of these observations, is presented below with the planned actions and timelines for improving the financial condition of Academia Avance.

Specific Explanations and Planned Actions

For each of the five observations, an explanation with background is provided, along with actions taken and/or planned. The focus first is on the ADA reporting issues, followed by a description of factors that lead to the cash flow and accounts payable observations of the May 6 notice of concern. A description is presented of the actions taken/planned before the end of the fiscal year on June 1, 2024 to ensure Avance meets its short-term obligations, namely salaries, insurance and health benefits, along with the scheduled payment plans for past due rent, utilities and key accounts payable that have been arranged. The subsequent sections of this document focus on the measures to be taken for FY 2024-2025.

P-1 & P-2 ADA count correction

The CDE May 6 notice of concern observation for the ADA counts states:

On its second principal apportionment (P-2), AAC reported an average daily attendance (ADA) of 201.49 pupils compared to the first principal apportionment's (P-1) ADA of 243 pupils, which amounts to a decrease of 17 percent. This significant decrease in P-2 ADA will affect AAC's Local Control Funding Formula (LCFF) revenue in FY 2023–24.

Following the notice of concern, a detailed review was completed of the Avance PowerSchool system data, the school's student information system, and the procedures used to prepare the P-1 and P-2 reports. Two main issues were identified:

- The **process** for preparing the P-1 report was wrong, resulting in enrollment numbers being used, instead of average daily attendance tallies.
- **Coding** errors within PowerSchool for about 18 students caused incorrect ADA tallies that were used for the P-2 report.

Significant to note is that this review found no issues with the accuracy **procedures** used by the Avance staff to collect the daily attendance status of each student for each period of the instructional day. Thus, the school has full confidence that the corrected coding now produces accurate ADA tallies, a condition that will be verified via the independent fiscal audit for FY 2023-2024 to be completed this summer.

The key remedy for correction of the ADA counts is that there is still time to correct the P-2 report using the standard CDE correction window procedures, and that the P-2 counts supersede the P-1 counts. That is, a separate P-1 correction is not needed.

The corrected ADA counts are as follows

P-1: 213.03 vs 243.00 reported, thus -29.97

P-2: 211.42 vs 201.49 reported, thus +9.93

The school projects that there will be a reduction in state revenues for fiscal year 2023-2024 that results from the corrected P-2 counts. The 2023-2024 Avance operating budget used a projected enrollment of 242 students with a ADA rate of 92%, thus a projected ADA count of at 222.64 to be used for revenue projections.

These enrollment and ADA projections varied by about a +11 ADA count from the actual enrollment and experienced ADA, which were 235 students with 89.9% ADA rate.

Thus, the revenue variance of actual to projected is actually about a 5% negative difference, which is less alarming than the 17% drop estimated by the CDE as stated in the May 6 notice of concern.

However, this 5% net overall reduction for the entire fiscal year from the Avance projections, differs from the actual CDE end-of-year allocation corrections. The allocation correction will make the last quarter cash flow plans more challenging, as the corrections for the over allocation that resulted from the incorrect P-1 counts reported, will still have about 31.58 ADA count lower variance from the corrected P-2 tallies (P-1 of 243 minus P-2 of 211.42).

FY 2023-2024 Budget Assumption Errors and Operations Challenges

Avance identifies two major budget assumption errors, and four unexpected operations challenges experienced in FY 2023-2024. These account for almost all of the projected fiscal deficit, and more significantly, have exacerbated the cash flow management.

Two assumptions used for the 2023-2024 budget were not correct, the first being the projected ADA rate. Avance assumed that the ADA percentage rate of 90% that had been used during the pandemic era (Fall 2020 through Spring 2023) could be **increased** for 2023-2024. Prior to the pandemic, year after year, Avance measured ADA rates over 96%. As has been reported by many school districts, social emotional issues are causing many more students than expected to NOT return to the classroom, even after the elapsed time since the formal official declaration of the COVID-19 pandemic. The difference from the remote and hybrid learning models, vs full in-person/on campus learning model of 2023-2024 was not accurately assumed when the ADA was set to 92% for the operating budget. This assumption was wrong. The actual ADA for the 2023-2024 will instead be about 89%. The 3% lower ADA rate represents a loss of revenue on the order of \$300,000, ie. about 1/3 of the new projected deficit.

The second erroneous assumption for 2023-2024 is the expect influx of enrollment which Avance has experienced in every year prior to the current year. For the first time in 19 years, Avance had a significant net decline in enrollment during the year, with very few students enrolling mid-year. This was the first year where the net change from the outflow and inflow of student enrollments at mid-year was significantly negative. We believe that the housing crisis of Los Angeles, which is impacting all sectors of the economy, hit especially hard in Northeast Los Angeles, and thus has reduced the overall

student age population. As result, the 242 enrollment number used to set the 2023-2024 budget back in May of 2023 represents about a 3% over estimation from the actual enrollment of about 235 for the year. Combined with an ADA rate of 90% instead of 92%, had school leadership used the 235 enrollment projection, the operating budget would have very closely tracked the actual counts for the year. These lessons learned are being applied NOW for the 2024-2025 preliminary budget.

These are four unexpected operations challenges experienced in FY 2023-2024:

1. Higher than budgeted staffing costs with long-term substitute teachers
The first major factor was the need to have competitive salaries for Fall 2023 given the increases in neighboring districts, or risk the loss of veteran teachers. This was compounded by the exit due to health issues of our grades 6-8 science and art teachers, and the grades 9-10 math teacher. The unexpected long-term substitution teacher costs of about \$100,000 became a major component of the current year deficit.
2. Beginning in January, the cost to comply with special education requirements increased dramatically due to a FAPE placement not on campus.
This unexpected cost of about \$100,000 added to the current year deficit.
3. Avance is very dependent on the transportation of students to bolster enrollment, and also to support the CIF athletics program (which bolsters enrollment), which is why the school has procured, maintained and staff two 50 passenger school buses. Equipment failure with one of the buses caused major disruption of the Avance transportation services. The unexpected ad-hoc chartered replacement bus services add significantly to the budget deficit. Some of this costs was reduced via the use of 10 passenger vans. The vans were procured with via an unexpected (an unfortunate) opportunity given the closure of a Los Angeles based charter school. And while the procurement was eventually refinanced under a lease, the capital outlay added to the cash flow challenges.
4. There were significant facilities related expenditures prior to the current fiscal year needed to address the pandemic mitigations (eg. partitions, air quality equipment, special decontamination procedures and equipment, etc.). This also led to a increase deferred maintenance schedule. A significant component (~\$200,000) of the deferred maintenance at the Main Campus addressed in the summer of 2023, as well as electrical service upgrades for the Sycamore Campus needed for main activities of the Community Schools grant added to current year budget challenges,

Quarter 4 Cash Flow Management Actions

Due to health concerns, the Chief Operations Office exited from Avance on March 1, but remains on a contracted basis to support the school. The COO oversaw the reduction of five other positions for the last quarter to offset the projected end-of-year deficit. The COO also established concessions from vendors to set up payment plans to address the growing AP balances.

An acute experience has been the necessity to hold the May 25 paychecks for two weeks in due to the delay in cash receipts. The hold is to be resolved with the receipts of the scheduled June allocations, and the refinancing to a lease of the two 10 passenger vans.

The cash management situation will be greatly assisted with the receipt of an initial allocation of funds from the US Dept of Justice STOP Grant funds now expected with the month of June. These funds were expected by mid-May for the grant that was awarded in October 2023.

The funds to be received in early June will cover the MAY 25 and JUN 10 paychecks, and will be used to encumber funds for the June 25 paychecks, cover all insurance and employee benefits charges, as well as make the initial payments to vendors along the agree payment plans.

Student Recruitment Efforts

The current situation heightens the need to increase revenues, ie. to bolster enrollment for Fall 2024. Avance initiated a partnership in April with the firm ScholarLead which provides services and supports for student recruitment, including a CRM tool (customer relations management) to track interest leads. Over five dozen leads were generated via ScholarLead in the month of May. The Avance staff is following up with each lead to convert to actual enrollments for Fall 2024. The conversion rate for leads is projected at 10%. Past experience for the neighborhoods served by Avance finds that May, June and August are the peak months for student recruitment.

In addition, Avance is collaborating with three charter school organizations in neighborhoods that Avance already serves:

- Los Angeles College Prep Academy - The school leadership of this grade 9-12 school located 1.5 miles from Avance is referring student to Avance since LA-CPA is ceasing operations.
- Bridges Preparatory Academy - The school leadership of this grade 6-8 school is again referring current 8th graders to our 9th grade as they did last year with good outcomes.
- ISANA Schools – Leadership is referring current 8th graders to our 9th grade from three of their sites that are aligned with our transportation services.

Securing Grant Funds

Avance is heartened with the CDE announcement on May 31 of the awardees of the Golden State Pathways Program grants. Avance was awarded:

- \$200,000 Planning Grant
- \$380,000 Implementation Grant

We await for our specific award letter, which should have the timing of the GSPP grant disbursements so that we can incorporate into the Avance Preliminary Budget Report for fiscal year 2024-2025 for us to submit to SBEOVERSIGHT by JUL 1.

Avance also received notice on May 31 of a grant award of \$45,000 from UnidosUS, with half to be disbursed before June 30, 2024, and the balance within the next fiscal year.

The success Avance has achieved with the US DoJ STOP grant, is supporting our application for the creation of a mental wellness consortia grant to be submitted early next year, which projects a boost to revenues for 2024-2025 of about \$200,000 per year for each of the five years of the grant.

Fiscal Corrective Actions for 2024-2025

The Avance Governance Board ratified the parameters below to set the Preliminary Budget for 2024–2025, to be submitted by July 1 2024. The top priority is to structure the projected expenses and revenues, so as to ensure the 5% reserve balance.

These five parameters are being set at this time, with the information known and confirmed. These parameters will define the Preliminary Budget Report for fiscal year 2024–2025 to be submitted by July 1, 2024.

Revenue Projections for 2024-2025

The directive for the Preliminary Budget Report for fiscal year 2024–2025 is to only use a confirmed student enrollment, so as to avoid the over projection and over assumption of ADA issues experienced in the current year.

1. Total Enrollment of 200 students

The Preliminary Budget Report for fiscal year 2024–2025 is to use a projected enrollment of 200 students total in these grade counts

Grade	Enrollment
12	55
11	35
10	25
9	30
8	30
7	15
6	10

2. ADA rate of 90%

The Average Daily Attendance rate for the Preliminary Budget Report will be set to 90%. This avoids the over projections used in the current year. The PowerSchool attendance coding and collection procedures have been updated to ensure that ADA reporting errors are prevented.

Reductions of Expenses for 2024-2025

The staff reductions already started, and with the two macro operations and faculty reductions described below, the school anticipates a reduction of expenses on the order of \$700,000, to balance the budget with a 5% reserve.

3. Single Campus Operations

Consolidation of operations to the Main Campus at 115 N Avenue 53, Los Angeles CA. By exiting the North Figueroa campus and the Sycamore campus for the start of the Fall 2024, Avance anticipates a saving of over \$200,000 per year in direct cost. Additionally, we can reduce administrative support staff for additional savings.

4. Set Student per Course Section to

Based on the projected/confirmed enrollments per grade, a consolidation of grade groupings for course to eight sections will net a student count per classroom per course between 25 and 30 students. This represents a higher operating efficiency, while still maintaining the education relationship scale that will continue to promote education growth gain experience in 2023-2024.

5. Certificate Staff Assignments Aligned to the Charter

Job assignments for certificated staff following the eight sections groups will be made to ensure all education requirements are met as outlined in the Academia Avance charter