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March 4, 2020

We are submitting an appeal of the denial of the petition for T.I.M.E. Community School ("TCS") by the Los Angeles County Board of Education ("LACBOE") to the State Board of Education ("SBE") in accordance with Education Code Section 47605(j)(1).

The TCS petition was originally submitted to the Montebello School District on August 26, 2019. The district voted to deny our petition on October 23, 2019. We then submitted our petition to LACOE on November 12, 2019. At LACOE's request we agreed to an extension that resulted in the board's ultimate denial of our petition on January 14, 2020. During the meeting at which this vote took place, the board's motion to deny the charter unanimously rejected all staff recommended findings except those concerning the school's budget. LACBOE noted that the TCS petition was strong in all other respects. See attached email from the district received on January 23, 2020.

The financial findings from LACOE staff were limited to:

- It fails to include the reserves as required by State Regulations and Board Policy (BP). It is also unclear if the reserves will be monitored monthly or annually by the governing board.
- No startup funds projected by the petitioner; the petitioner has cash on hand of \$190 as of October 31, 2019. Per information given at the Capacity Interview the petitioner will be applying for start-up funding from CDE's revolving loan program and/or selling of receivables.
- Expenditures for the school's special education program do not appear adequate for the expected enrollment should the school's population mirror that of MUSD.
- Letter of Intent: The petitioner has a letter of intent for funding: Charter Asset Management: The school will have a negative cash flow for seven (7) of 12 months in FY 1; therefore, to access funding for cash flow, the factoring or selling of receivables will be utilized for approximately \$350,000 in FY 1, and \$600,000 in FY 2. The annual rate was not provided in the letter of intent. The total factoring fee is estimated at \$22,400 for FY 1 & \$45,000 for FY 2.
- To be fiscally solvent, the Budget Plan requires that the school: (1) secures a facility that does not exceed the budget's projected cost; (2) meets its Average Daily Attendance (ADA) projections, and (3) meets its enrollment projections.

Below, TCS responds to each finding.

"It fails to include the reserves as required by State Regulations and Board Policy (BP). It is also unclear if the reserves will be monitored monthly or annually by the governing board."



Response: Charter schools should account for reserves appropriate to the circumstances, but there is not a hard-and-fast rule. At the end of TCS' first operating year, the reserve is 5%, which is on the high end of the range for a district's requirement.

"No startup funds projected by the petitioner; the petitioner has cash on hand of \$190 as of October 31, 2019. Per information given at the Capacity Interview the petitioner will be applying for start-up funding from CDE's revolving loan program and/or selling of receivables."

Response: New charters often have very limited financing options. TCS will pursue the typical start up course of selling receivables and applying for a revolving loan to meet year one cash flow demands. Charter Asset Management ("CAM") provides a reasonable solution to the typical negative cash flow that occurs when a school is new and/or growing and is subject to the State's disbursement schedule. When the first tranche of government funding does not arrive until September or October and the school opens its doors in July, the school needs to find a way to pay for staff, materials, operations and rent. TCS continues to work diligently to secure start up funds. Further, with the likelihood that there is a new round of PCSGP, TCS has an opportunity to re-apply. TCS would have been awarded the grant in 2019 had it been authorized. With this grant, fewer startup expenses would be covered by unrestricted revenue and the budget outlook vastly improves in its first operating year.

"Expenditures for the school's special education program do not appear adequate for the expected enrollment should the school's population mirror that of MUSD."

Response: TCS acknowledges that special education spending may be at the lower end of a reasonably expected range in its first year, but grows as the school enrollment grows. For example, the contractor expense more than doubles in TCS' second year. As with any charter, once TCS has actual information on its student population, the budget will be adjusted and expenses re-balanced in order to meet the needs of all students.

To be fiscally solvent, the Budget Plan requires that the school: (1) secures a facility that does not exceed the budget's projected cost; (2) meets its Average Daily Attendance (ADA) projections, and (3) meets its enrollment projections.

Response: (1)TCS has applied for facilities under Proposition 39. TCS has also identified two additional commercial properties should the Proposition 39 offer by Montebello Unified School District be inadequate. TCS has allocated \$100,000 to make necessary site improvements of commercial properties, if needed. Nonetheless, TCS' goal is to utilize Proposition 39 facilities; (2) TCS has projected the conservative ADA projection of 94%, which we understand is less than the 95% rate most charter schools utilize because we wanted to avoid the possibility of over-projecting; (3)Our projection is based on 110 students enrolling at TIME next year, which is



consistent with the enrollment projected in our charter petition, and was documented in our facilities request by 125 intent-to-enroll forms collected from in-District students who are meaningfully interested in enrolling in our 9th grade program next year.

With any budget, assumptions are made for rent, ADA and enrollment. These assumptions include the reasonable growth plan of growing by a grade. TCS took LACOE's advice from last year and decreased its enrollment in its first year from 150 to 110 students. Growing in this manner slightly eases the burden on student recruiting since the focus will always be on recruiting ninth grade students, which is a natural year for students to change schools. On the flip side, adding 150 students each year until the school is operating each high school grade places immense pressure on the cash flow due to the State's disbursement schedule for new grades in addition to the 40 extra students that will not be funded until the Spring of each year after P-1 is certified. The cash flow challenges are common to all new and growing charters and are not unique to TCS.

Our petition contains a plan to begin the school year on July 1 annually with a plan to open the school on July 1, 2020. The county's denial made it necessary to appeal to the SBE, and we did not receive the county findings that are required to be submitted with our petition in time to submit our appeal package by the deadline for a May SBE decision. In fact, this will be the case again if we are forced to return to the district to only change our proposed opening date. Even if we had been able to meet the May board meeting submission date, we would not have been able to accomplish all the school opening tasks in the ensuing six weeks. And, it is important to note that at no point in the petition process was a finding made regarding our opening date as the reason for denial, and therefore we do not believe that a return to the district and county would result in a different outcome.

We understand that our petition will require updates to the school calendar and petition to reflect the new start date as well as an updated budget to reflect state funding allocations for 2021, actual facilities costs, and any other related changes.

TCS will comply with all applicable laws as indicated in our charter petition assurances. In our petition, we have used "authorizer" generically. Thus, no changes are necessary to reflect the State Board of Education as the authorizer.

Enclosed, please find:

- Cover letter
- Evidence of the LACOE governing board's action to deny the petition (e.g., meeting minutes) and the governing board's written factual findings specific to the particular petition, when available, setting forth specific facts to support one or more of the grounds for denial set forth in EC Section 47605(b).



- A complete copy of the petition, as denied by LACOE, including the signatures required by California Education Code (EC) Section 47605.

Because the attached email from LACOE demonstrates that denial was based only on the initial, short term financial situation confronted by most start-up charter schools, we hope that the SBE will determine that the students of Montebello deserve access to our research based academic program that will prepare them to be engaged life long learners able to bring knowledge, innovation, career experience, and strength to their community.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Gabriel Ramirez', is written over the word 'Sincerely,'.

Dr. Gabriel Ramirez
Lead Petitioner