

# Youth Policy Institute Charter Schools (YPICS)

## Board Meeting

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### Date and Time

Monday December 7, 2015 at 6:00 PM PST

### Location

Monsenor Oscar Romero Charter School - 1157 S. Berendo Street, Los Angeles, CA 90006

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**MISSION** The mission of the YPI Charter Schools is to: Prepare students for academic success in high school, as well as post - secondary education. Prepare students to be responsible and active participants in their community. Enable students to become life-long learners. Students at YPI Charter Schools will become active citizens who characterize the ideals of adverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.

**Instructions for Presentations to the Board by Parents and Citizens** The YPI Charter Public Schools ("Charter Schools") welcome your participation at the Charter Schools' Board meetings. The purpose of a public meeting of the Board of Directors ("Board") is to conduct the affairs of the Charter Schools in public. Your participation assures us of continuing community interest in our Charter Schools. To assist you in the case of speaking/participating in our meetings, the following guidelines are provided:

1. Agendas are available to all audience members at the door to the meeting.
2. "Request to Speak" forms are available to all audience members who wish to speak on any agenda items or under the general category of "Presentations from the Public". "Presentations from the Public" is set-aside for members of the audience to raise issues that are not specifically on the agenda. However, due to public meeting laws, the Board can only listen to your issue, not respond or take action. These presentations are limited to three (3) minutes and total time allotted to non-agenda items will not exceed fifteen (15) minutes. The Board may give direction to staff to respond to your concern or you may be offered the option of returning with a citizen-requested item.
3. You may also complete a "Request of Speak" form to address the Board on Agenda items. With regard to such agenda items, you may specify that agenda item on your "Request to Speak" form and you will be given an opportunity to speak for up to five (5) minutes when the Board discusses that item.
4. When addressing the Board, speakers are requested to state their name and address from the podium and adhere to the time limits set forth.
5. Any public records relating to an agenda item for an open session of the Board which are distributed to all, or a majority of all, of the Board members shall be available for public inspection at 1157 S.

Berendo Street, Los Angeles, California 90006 or 9400 Remick Avenue, Pacoima, California 91331. Americans with Disabilities: YPI Charter Schools, Inc. adheres to the Americans with Disabilities Act. Should you require special accommodations, or more information about accessibility, please contact us at least 48 hours in advance at 818-834-5805/ 213-413-9600, or [info@coronacharter.org](mailto:info@coronacharter.org) / [info@romerocharter.org](mailto:info@romerocharter.org). All efforts will be made for reasonable accommodations.

## Agenda

	Purpose	Presenter	Time
<b>I. Opening Items</b>			<b>6:00 PM</b>
Opening items			
<b>A. Call the Meeting to Order</b>		Gene Straub	1 m
<b>B. Record Attendance and Guests</b>		Gene Straub	1 m
<b>II. Communications</b>			<b>6:02 PM</b>
Academic Excellence Agenda Stock Description			
<b>A. Presentations From The Public</b>	FYI		5 m
<b>III. Consent Agenda Items</b>			<b>6:07 PM</b>
<b>A. LACOE EFT Payments</b>	Vote		5 m
<b>B. Teacher Effectiveness Funding Plan - Bert Corona Charter and Oscar Romero Charter</b>	Vote		5 m
<b>IV. Academic Achievement</b>			<b>6:17 PM</b>
<b>A. Director of Academic Achievement's Report</b>	FYI	Kevin Myers	5 m
<b>B. Director of Special Education's Report</b>	FYI	Vashon Nutt	5 m
<b>V. Finance</b>			<b>6:27 PM</b>
<b>A. Review and Approve YPI Charter Schools' September 2015 Financials</b>	Vote	Irina Castillo	10 m
<b>B. Review and Approve YPI Charter Schools' October 2015 Financials</b>	Vote	Irina Castillo	10 m

	Purpose	Presenter	Time
<b>C. Amazon Line of Credit</b>	Vote	Irina Castillo	5 m
<b>D. YPICS 14-15 Audit</b>	Vote	Irina Castillo	5 m
<b>E. YPICS 15-16 1st Interim</b>	Vote	Irina Castillo	5 m
<b>VI. Closed Session</b>			<b>7:02 PM</b>
<b>A. Executive Director Evaluation</b>	Discuss		20 m
<b>VII. Facilities</b>			<b>7:22 PM</b>
<b>A. Prop 39 Update - MORCS and YPIVPCHS</b>	FYI		
<b>VIII. Lead Administrator Reports</b>			<b>7:22 PM</b>
<b>A. Director of Operation's Report - BCCS</b>	FYI	Diana Gamez	5 m
<b>B. Director of Operation's Report - MORCS</b>	FYI	Jose Castillo	5 m
<b>C. Director of Instruction's Report - YPIVPCHS</b>	FYI	Larry Simonsen	5 m
<b>IX. Directors' Reports</b>			<b>7:37 PM</b>
Development Agenda Stock Description			
<b>A. Director of Technology's Report</b>	FYI	Charles Harvey	5 m
<b>B. Director of Marketing's Report</b>	FYI	Rommel Ruiz	5 m
<b>C. Director of School Culture and Climate's Report</b>	FYI	Michael Crase	5 m
<b>X. Chief Operations Officer's Report</b>			<b>7:52 PM</b>
<b>A. COO's October 2015 Report</b>	FYI	Ruben Duenas	5 m
<b>XI. Executive Director's Report</b>			<b>7:57 PM</b>
<b>A. Executive Director's Report</b>	FYI	Yvette King-Berg	5 m

	Purpose	Presenter	Time
<b>XII. Closing Items</b>			<b>8:02 PM</b>
<b>A. Adjourn Meeting</b>	Vote		

# Coversheet

## Director of Academic Achievement's Report

**Section:** IV. Academic Achievement  
**Item:** A. Director of Academic Achievement's Report  
**Purpose:** FYI  
**Submitted by:**  
**Related Material:** 15-16.DATA\_YPICS.B1 Analysis and Report.Nov18.docx

**B1 MAPs Data Report**  
**Kevin Myers**  
**November 18, 2015**

*Introduction:*

**In mid-November, YPICS schools completed our second testing session of the year. Students in all grade levels participated in our online benchmark exam, NWEA MAPs. This assessment is taken in ELA (reading) and in mathematics. Student growth is measured and assessed for individual students, cohorts, subgroups, grade levels, and the school overall.**

*The Results: 2015-16 B0 (baseline) MAPS:*

**Since NWEA (the company that created and manages our MAPs tests) is just receiving useable state testing data, our MAPs exams are still aligned with the old state testing model with 5 score bands (Far Below, Below Basic, Basic, Proficient, and Advanced). Consequently, we can still use the old state API calculators used with the CST to analyze our student results on the MAPs test. We will continue to do this until:**

- 1) NWEA aligns their test with the new state testing bands**
- 2) We have a calculator from the state to calculate the overall API/accountability scores.**

Here are the results from our Benchmark #1 (B1) assessment:

**BCCS 5<sup>th</sup> and 6<sup>th</sup> Grade:**

5th Grade Reading			5th Grade Math		
	Count	Percent		Count	Percent
Advanced	1	5%	Advanced	0	0%
Proficient	4	20%	Proficient	8	36%
Basic	7	35%	Basic	6	27%
Below Basic	5	25%	Below Basic	6	27%
Far Below	3	15%	Far Below	2	9%
Students Tes	20		Students Tes	22	
B0 API Score	N/A		B0 API Score	N/A	
B1 API Score	648		B1 API Score	686	
Growth	#VALUE!		Growth	#VALUE!	
5th Grade B0 Overall API: N/A					
5th Grade B1 Overall API: 664					
Growth: #VALUE!					
6th Grade Reading			6th Grade Math		
	Count	Percent		Count	Percent
Advanced	7	6%	Advanced	1	1%
Proficient	20	18%	Proficient	23	21%
Basic	48	44%	Basic	38	34%
Below Basic	27	25%	Below Basic	43	38%
Far Below	8	7%	Far Below	7	6%
Students Tes	110		Students Tes	112	
B0 API Score	616		B0 API Score	601	
B1 API Score	694		B0 API Score	659	
Growth	78		Growth	58	
6th Grade B0 Overall API: 610					
6th Grade B1 Overall API: 680					
Growth: 70					

**BCCS 6<sup>th</sup> 7<sup>th</sup>, and Overall Scores:**

7th Grade Reading			7th Grade Math		
	Count	Percent		Count	Percent
Advanced	5	5%	Advanced	1	1%
Proficient	24	22%	Proficient	20	17%
Basic	34	31%	Basic	45	39%
Below Basic	28	26%	Below Basic	40	35%
Far Below	17	16%	Far Below	9	8%
Students Tes	108		Students Tes	115	
B0 API Score	686		B0 API Score	592	
B1 API Score	661		B1 API Score	663	
Growth	-25		Growth	71	
B0 7th Grade Overall API:			645		
B1 7th Grade Overall API:			662		
Growth:			17		
8th Grade Reading			8th Grade Math		
	Count	Percent		Count	Percent
Advanced	4	4%	Advanced	4	4%
Proficient	25	24%	Proficient	27	24%
Basic	40	38%	Basic	40	36%
Below Basic	24	23%	Below Basic	30	27%
Far Below	12	11%	Far Below	11	10%
Students Tes	105		Students Tes	112	
B0 API Score	681		B0 API Score	670	
B1 API Score	689		B1 API Score	689	
Growth	8		Growth	19	
8th Grade B0 Overall API:			677		
8th Grade B1 Overall API:			689		
Growth:			12		
All Grades: Reading			All Grades: Math		
	Count	Percent		Count	Percent
Advanced	17	5%	Advanced	6	1.7%
Proficient	73	21%	Proficient	78	21.6%
Basic	129	38%	Basic	129	35.7%
Below Basic	84	24%	Below Basic	119	33.0%
Far Below	40	12%	Far Below	29	8.0%
Students Tes	343		Students Tes	361	
B0 API Score	660		B0 API Score	620	
B1 API Score	680		B1 API Score	671	
Growth	20		Growth	51	
B0 Overall API:			644		
B1 Overall API:			676		
Growth:			32		



**MORCS 6<sup>th</sup> and 7<sup>th</sup> Grade:**

6th Grade Reading			6th Grade Math		
	Count	Percent		Count	Percent
Advanced	3	3%	Advanced	2	2%
Proficient	23	20%	Proficient	14	12%
Basic	54	47%	Basic	47	41%
Below Basic	22	19%	Below Basic	40	35%
Far Below	12	11%	Far Below	12	10%
Students Tes	114		Students Tes	115	
B0 API Score	675		B0 API Score	616	
B1 API Score	680		B0 API Score	633	
Growth	5		Growth	17	
6th Grade B0 Overall API:			652		
6th Grade B1 Overall API:			661		
Growth:			9		
7th Grade Reading			7th Grade Math		
	Count	Percent		Count	Percent
Advanced	3	3%	Advanced	7	7%
Proficient	31	32%	Proficient	24	24%
Basic	29	30%	Basic	27	26%
Below Basic	23	24%	Below Basic	28	27%
Far Below	10	10%	Far Below	16	16%
Students Tes	96		Students Tes	102	
B0 API Score	680		B0 API Score	642	
B1 API Score	705		B1 API Score	668	
Growth	25		Growth	26	
B0 7th Grade Overall API:			664		
B1 7th Grade Overall API:			689		
Growth:			25		

**MORCS 8<sup>th</sup> and Overall Scores:**

8th Grade Reading			8th Grade Math		
	Count	Percent		Count	Percent
Advanced	10	9%	Advanced	2	2%
Proficient	29	26%	Proficient	32	29%
Basic	41	37%	Basic	32	29%
Below Basic	20	18%	Below Basic	38	34%
Far Below	10	9%	Far Below	7	6%
Students Tes	110		Students Tes	111	
B0 API Score	668		B0 API Score	658	
B1 API Score	731		B1 API Score	695	
Growth	63		Growth	37	
8th Grade B0 Overall API:			662		
8th Grade B1 Overall API:			716		
Growth:			54		
All Grades: Reading			All Grades: Math		
	Count	Percent		Count	Percent
Advanced	16	5%	Advanced	11	3.4%
Proficient	83	26%	Proficient	70	21.3%
Basic	124	39%	Basic	106	32.3%
Below Basic	65	20%	Below Basic	106	32.3%
Far Below	32	10%	Far Below	35	10.7%
Students Tes	320		Students Tes	328	
B0 API Score	671		B0 API Score	641	
B1 API Score	705		B1 API Score	665	
Growth	34		Growth	24	
B0 Overall API:			659		
B1 Overall API:			689		
Growth:			30		

Celebrations!!

**BCCS:**

- **6<sup>th</sup> Grade Students with Special Needs in ELA at BCCS: 146 points growth**
- **7<sup>th</sup> Grade ELLs in Math at BCCS: 101 points growth**
- **8<sup>th</sup> Grade ELLs in ELA at BCCS: 92 points growth**
- **6<sup>th</sup> grade ELA at BCCS: 78 points growth**
- **7<sup>th</sup> grade math at BCCS: 71 points growth**
- **Students with Special Needs in Math at BCCS: 70 points growth**
- **Overall growth at BCCS: 32 points growth**

**MORCS:**

- **Students in 8B at MORCS: 99 points growth in ELA**
- **Students in 8D at MORCS: 97 points growth in ELA**
- **Students in 6C at MORCS: 83 points growth in math**
- **8<sup>th</sup> Grade ELLs in ELA at MORCS: 83 points growth**
- **8<sup>th</sup> Grade ELA at MORCS: 63 points growth**
- **Students in 7C at MORCS: 54 points growth in math**
- **8<sup>th</sup> Grade Math at MORCS: 37 points growth**
- **Overall Growth at MORCS: 30 points growth**

Concerns and Possible Root Causes:

- **8<sup>th</sup> grade ELA at BCCS: only 9 points of growth**
  - **Lack of rigor and high expectations**
  - **Lack of cohesion in expectations for literacy across all content areas in 8<sup>th</sup> grade**
  - **Lack of Achieve3000 implementation**
- **7<sup>th</sup> Grade ELA at BCCS: 25 point drop in API score**
  - **Lack of academic leadership at grade level**
- **5<sup>th</sup> Grade API is only 648:**
  - **Need to push online programs**
  - **Need more resources for reading in the content areas**
- **6<sup>th</sup> Grade ELA at MORCS:**
  - **Engaging lessons: need to implement CASA program consistently**
  - **Lack of Achieve3000 program**
- **6<sup>th</sup> grade ELLs in ELA: 14 point drop**
  - **(see above)**
  - **Need for tutor and EL1 instruction**
- **7<sup>th</sup> grade ELLs in ELA: 23 point drop**
  - **Need for tutor and EL1 instruction**

Our Goals:

Using our data and growth analysis from last year, we were able to set goals for our outcomes for this year. To summarize the process, we looked at the

overall growth from Baseline to the second benchmark for each cohort and at each grade level. Using this information, we were able to set realistic goals for each cohort of students for the 2015-16 school year. In each case, we pushed the average growth by 20-25 points to ensure that we are setting goals that will help use progress upward as in our scores as an organization.

As an organization, we met 4 out of 12 goals. **Our areas of success were 8<sup>th</sup> grade ELA at MORCS, 6<sup>th</sup> grade ELA at BCCS, 6<sup>th</sup> grade math at BCCS, and 7<sup>th</sup> grade math at BCCS.** While saw growth in almost every area, we did not hit the goals we set to push our students beyond their growth in the 2014-2015 school year (except in the above-mentioned areas).

Here are our goals and actuals for the 2015-156 school year on our MAPs benchmark exams:

MORCS						BCCS					
	BO Math	B1 Math Goal	B1 Math Actual	Difference	B2 Math		BO Math	B1 Math Goal	B1 Math Actual	Difference	B2 Math
6	616	670	633	-37		6	601	650	659	9	
7	642	720	668	-52		7	592	650	663	13	
8	658	720	695	-25		8	670	725	689	-36	
	BO ELA		B1 ELA		B2 ELA		BO ELA		B1 ELA		B2 ELA
6	675	760	680	-80		6	616	660	694	34	
7	680	725	705	-20		7	686	720	661	-59	
8	668	730	731	1		8	681	720	689	-31	

*The Analysis:*

We saw growth in almost every group and subgroup at our school. In the few areas where we saw a drop or little growth, we have a plan in place for support (see the next section). We continue to find that the classrooms where the teachers buy in and are implementing the programs we have adopted as an organization see the most consistent growth. This is particularly true in the classrooms where Achieve3000, ALEKS, and CASA are being implemented well. Furthermore, the classrooms where teachers are using the SFA math program (a new adoption this year) are also seeing strong and consistent growth. We are working on sharing our reasoning and the research behind the decisions to implement these programs and are discussing our communication about these programs to the teachers; the goals is to help more teachers buy in to the programs and our overall goals as an organization.

*The Response- Taking Action:*

Based on the analysis of our data, we will be taking several steps to improve our academic outcomes over the next period. Here is a summary of those steps:

1. Reiterate the discussion about tiered vocabulary with teachers, both in full group PD and during one-on-one meetings with teachers: several of

- our groups are focused on this as part of their PLC research, but we will continue to push this idea with all teachers over the next period.
2. We will continue to implement a universal plan for assessment, data tracking, data sharing, and goal setting.
  3. We will continue to check lesson plans for supports and strategies for ELs and SPED. Conduct instructional rounds focused on these subgroups; provide feedback and discuss.
  4. Plan more EL and SPED support discussions into PD for the 2015-16 school year. This will include training from EL and SPED specialists, behavior interventionists, and frequent check-ins and support from our on-site instructional experts.
  5. We will continue to build upon the strengths already established at our schools:
    - a. Blended learning
    - b. CASA and service learning
    - c. Using technology to help assess and share info with kids
    - d. Continued use of research-proven programs: SFA, ALEKS, Achieve3000.
    - e. Use of Rosetta Stone to support our students who are new to the country and have little to no proficiency in the English language (MORCS only).
  6. Teacher improvement plans will be completed using the data we collected from our most recent benchmark and from the state tests kids will be taking next week. This way we will ensure that all growth goals are based on student performance.
  7. At Bert Corona, we have the opportunity to work with our Long Term English Learners (LTELs) during our morning program. Our students will be working with one of our English teachers, Ms. Contreras, to develop skills that will help them gain proficiency in language and in other academic areas, as well as help them pass the CELDT test in the upcoming year.
  8. We will work with our teachers and tutors who have EL1s in their classroom to make sure best practices are in place for these students.
  9. We will continue to utilize PLCs and effective grade level planning to make sure teams are using the best strategies for their students.
  10. We will re-train and focus on use of online programs for individual learning support.

The teachers, staff, and administration of YPI Charter Schools continues to be dedicate to using data to drive our instruction and to support students to the best of our ability. We continue to live by the mantras, “All data is good data” and “Growth is Currency.” In addition to the conversations we have with our teachers and staff to make sure they know and understand the current student data, we will also be meeting with teachers to ensure that they are sharing the data with students in a meaningful way. By working as a team and

**being transparent about our results, we will be sure to continue our consistent upward progression in our results.**

# Coversheet

## Director of Special Education's Report

**Section:** IV. Academic Achievement  
**Item:** B. Director of Special Education's Report  
**Purpose:** FYI  
**Submitted by:**  
**Related Material:** YPICS Director of Special Education Report- December 2015.docx



## ***DIRECTOR OF SPECIAL EDUCATION REPORT***

**December 7, 2015**

*The mission of the YPI Charter Schools (YPICS) is to prepare students for academic success in high school, as well as post--secondary education; prepare students to be responsible and active participants in their community; and enable students to become life-long learners. Students at YPI Charter Schools will become active citizens who characterize the ideals of a diverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.*

### **Charter Operated Programs:**

SAVE THE DATE – Parents as Partners – One Team, One Mission

With the success of the Special Education Summit, Charter Operated Programs have started a committee to plan a similar Summit for parents of students with special needs. The tentative date is March 2016.

The Charter Operated Programs team stressed the importance of participation in Option 3 Activities. Those schools that do not participate will not be eligible for grants etc. if participation is not adequate. YPICS has always continues to participate and regularly attend executive, coordinating, and fiscal meetings.

Program Observations – All schools are required to participate in program observations this school year. We must be observed and observe other special education programs within Option 3. The purpose is constructive feedback and the sharing of best practices.

STEP Grants – YPICS will receive the first round of grants this December. The amounts are below:

Bert Corona Charter School - \$6,154.30  
 Monseñor Oscar Romero Charter School - \$5,560.66  
 Bert Corona High School – \$5,164.89

### **YPICS – Special Education**

- All IEPs are current and 0 overdue IEPs
- Currently needs APE services at Bert Corona. Previous provider left contracted agency
- Our percentages of students with special needs are below:
  - Bert Corona Charter School: 15%
  - Monseñor Oscar Romero: 10%



- Bert Corona High School: 17%\*
- \*7 of the 11 students with IEPs were former Bert Corona students. Due to our SWD matriculating to our high school, along with total student enrollment numbers being below what was expected, the percentage is larger than usual for a school our size.

I'm currently working on:

- Initial and Re-evaluation IEPs
- Hiring of special education teacher
- Hiring of paraprofessional
- Arranging training for new Sped Assessment tools
- Improved compliance review/monitoring practices

## **LAUSD**

### ***Summary of Memos, Reference Guides and/or Bulletins November 2015***

#### **REF-2624.11: School Self Review Checklist, Students with Disabilities: 2015-2016**

**PURPOSE:** The purpose of this Reference Guide is to inform site administrators (1) of the requirement to complete the School Self Review Checklist, Students with Disabilities: 2015-2016, and (2) that the Local District Superintendent, Charter Schools Division Director, or designee shall periodically conduct site level visits during the school year to determine the status of concerns identified by the Checklist as mandated by the Modified Consent Decree.

**MAJOR CHANGES:** The 2015-2016 Checklist shall be completed online and a copy submitted electronically to the Local District Special Education Service Center.

Please note that this was due on November 12<sup>th</sup>.

#### ***BUL-6596.0 – File Sharing and Collaboration Services***

**POLICY:** It is the policy of the Los Angeles Unified School District (LAUSD) to only use secure methods when uploading information to file sharing and collaboration services. The purpose of this bulletin is to define appropriate security measures that all members and associates of District must abide by when using file sharing and collaboration services.

**PROCEDURES:** Considerations Regarding File Sharing and Collaboration Services

Most services, such as Google Docs, Microsoft OneDrive, iCloud, and Dropbox make it easy for individuals to sign-up and use (self-provision) their services via an end user license agreement (EULA), often at no monetary cost. LAUSD also locally or centrally acquires file sharing and collaboration services, such as the IBM Sterling File Gateway solution, for use by LAUSD and District partners.

LAUSD faculty, staff, and students must be very cautious about self-provisioning a cloud service to process, share, store, or otherwise manage District data. Self-provisioned file sharing and collaboration services may present significant data management risks and may be subject to changes in risk with or without notice. Virtually all file sharing and collaboration services require individual users to accept click-through agreements. These agreements do not allow users to negotiate terms, do not provide the opportunity to clarify terms, often provide vague descriptions of services and safeguards, and often change without notice.

Risks with using self-provisioned file sharing and collaboration services include:

- Unclear and potentially poor access control or general security provisions
- Sudden loss of service without notification
- Sudden loss of data without notification
- Data stored, processed or shared on file sharing and collaboration service is often mined for resale to third parties that may compromise people's privacy
- The exclusive intellectual rights to the data stored, processed or shared on file sharing and collaboration service may become compromised

#### **MEM 6602.0: Inclusive Schools Week 2015**

*YPICS Sped Board Report – Dec. 2015*

PURPOSE: This Memorandum provides information about Inclusive Schools Week, which will be held the week of December 7-11, 2015.

**REF 6603.0: Notification of Existing Special Education Online Professional Development for the 2015-2016 School Year**

PURPOSE: The purpose of this Reference Guide is to provide information about existing professional development available to school administrators and IEP team members and to additionally provide enrollment and viewing procedures for qualified participants.

**MEM 6559.1: Behavior Related Professional Development for the 2015-2016 School Year**

PURPOSE: The purpose of this Memorandum is to provide administrators, teachers, paraprofessionals and support staff with a schedule of in-person and online professional development aligned to Bulletin 6269.0 Multi-Tiered Systems of Behavior Support for Students with Disabilities for the 2015-2016 school year.

MAJOR CHANGES: This document replaces MEM 6559.0 Professional development opportunities for teachers of special day programs for students with emotional disturbance (SDP-ED) (attachment D) has been added.

# Coversheet

## Review and Approve YPI Charter Schools' September 2015 Financials

**Section:** V. Finance  
**Item:** A. Review and Approve YPI Charter Schools' September 2015 Financials  
**Purpose:** Vote  
**Submitted by:**  
**Related Material:** BCCS FY15.16 September Notes.docx  
BCHS FY15.16 September Notes.docx  
MORCS FY15.16 September Notes.docx  
15-16 Dashboard BCCS September 2015.pdf  
15-16 Dashboard BCHS September 2015.pdf  
15-16 Dashboard MORCS September 2015.pdf  
2015-09 YPICS FINANCIALS FINAL.xlsm



## BERT CORONA CHARTER SCHOOL

### Financial Analysis

### September 2015

#### Net Income

BERT CORONA CHARTER SCHOOL is projected to achieve a net income of \$270K in FY15-16 compared to \$181K in the board approved budget. Reasons for this positive \$89K variance are explained below in the Income Statement section of this analysis.

#### Balance Sheet

As of September 30, 2015, the school's cash balance was \$1,183K. By June 30, 2016, the school's cash balance is projected to be \$1,106K, which represents a 17.6% reserve.

As of September 30, 2015, the Accounts Receivable balance was \$118K, down from \$299K in the previous month, due to the receipt of revenue earned in FY14-15.

As of September 30, 2015, the Accounts Payable balance, including payroll liabilities, totaled \$474K, compared to \$225K in the prior month.

As of September 30, 2015, BCCS had a debt balance of \$3K compared to \$4K in the prior month.

#### Income Statement

##### *Revenue*

Total revenue for FY15-16 is projected to be \$6,742K, which is \$75K or 1% over budgeted revenue of \$6,667K.

##### *Expenses*

Total expenses for FY15-16 are projected to be \$6,472K, which is \$14K or 0% under budgeted expenditures of \$6,486K.

**Object Code 1110 and 2100** – Teacher salaries are lower than budgeted by \$103K while Instructional Aid salaries are higher than budget by \$46K due to reclassification of non-certificated teachers to Object code 2100

#### ADA

Budgeted average ADA for FY15-16 is 357.05 based on an enrollment of 370 and a 96.5% attendance rate.

The forecast assumes an ADA of 360.78 based on an enrollment of 370 and a 97.1% attendance rate.

In Month 3, ADA was 365.84 with 372 students enrolled at the end of the month and a 98% ADA rate.

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$20,000 and 10%.*



Average ADA for the year (through Month 3) is 366.60 (a 98.0% ADA rate for the year to date).

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$20,000 and 10%.*



## YPI Valley Public Charter School Financial Analysis September 2015

### Net Income

YPI Valley Public Charter School is projected to achieve a net income of \$116K in FY15-16 compared to \$140K in the board approved budget. Reasons for this negative \$24K variance are explained below in the Income Statement section of this analysis.

### Balance Sheet

As of September 30, 2015, the school's cash balance was \$291K. By June 30, 2016, the school's cash balance is projected to be \$141K, which represents a 10.9% reserve.

As of September 30, 2015, the Accounts Receivable balance was zero.

As of September 30, 2015, the Accounts Payable balance, including payroll liabilities, totaled \$6K, compared to \$6K in the prior month.

As of September 30, 2015, YPI VPCS had a debt balance of \$242K compared to \$250K in the prior month.

### Income Statement

#### *Revenue*

Total revenue for FY15-16 is projected to be \$1,430K, which is \$53K or 4% under budgeted revenue of \$1,484K.

#### *Expenses*

Total expenses for FY15-16 are projected to be \$1,314K, which is \$29K or 2% under budgeted expenditures of \$1,343K.

**Object Code 1110 and 2100** – Teacher salaries are lower than budgeted by \$98K while Instructional Aid salaries are higher than budget by \$70K due to reclassification of non-certificated teachers to Object code 2100

### ADA

Budgeted average ADA for FY15-16 is 59.85 based on an enrollment of 63 and a 95.0% attendance rate.

The forecast assumes an ADA of 60.23 based on an enrollment of 63 and a 95.9% attendance rate.

In Month 3, ADA was 61.63 with 64 students enrolled at the end of the month and a 96% ADA rate.

Average ADA for the year (through Month 3) is 60.82 (a 97.4% ADA rate for the year to date).

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$8,000 and 10%.*



## MONSEÑOR OSCAR ROMERO CHARTER SCHOOL

### Financial Analysis September 2015

#### Net Income

MONSEÑOR OSCAR ROMERO CHARTER SCHOOL is projected to achieve a net income of \$141K in FY15-16 compared to \$120K in the board approved budget. Reasons for this positive \$21K variance are explained below in the Income Statement section of this analysis.

#### Balance Sheet

As of September 30, 2015, the school's cash balance was \$565K. By June 30, 2016, the school's cash balance is projected to be \$407K, which represents a 10.8% reserve.

As of September 30, 2015, the Accounts Receivable balance was \$95K, down from \$103K in the previous month, due to the receipt of revenue earned in FY14-15.

As of September 30, 2015, the Accounts Payable balance, including payroll liabilities, totaled \$16K, compared to \$37K in the prior month.

As of September 30, 2015, MORCS had a debt balance of \$704K. The total amount of debt represents a portion of Prop 1D that will need to be repaid starting one year after the project is complete.

#### Income Statement

##### *Revenue*

Total revenue for FY15-16 is projected to be \$3,916K, which is \$52K or 1% over budgeted revenue of \$3,863K.

##### *Expenses*

Total expenses for FY15-16 are projected to be \$3,775K, which is \$31K or 1% over budgeted expenditures of \$3,743K.

#### ADA

Budgeted average ADA for FY15-16 is 318.45 based on an enrollment of 330 and a 96.5% attendance rate.

The forecast assumes an ADA of 322.90 based on an enrollment of 330 and a 96.9% attendance rate.

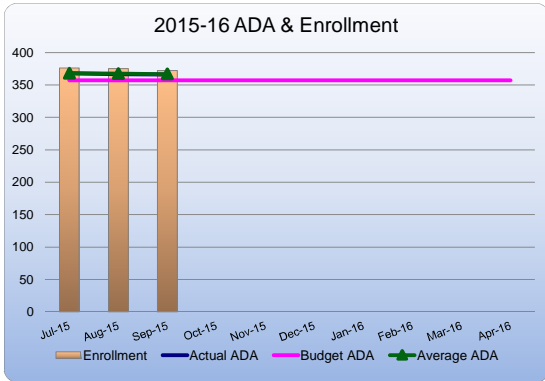
In Month 3, ADA was 328.21 with 338 students enrolled at the end of the month and a 98% ADA rate.

Average ADA for the year (through Month 3) is 329.84 (a 97.6% ADA rate for the year to date).

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$12,000 and 10%.*

**Key Performance Indicators**

ADA vs. Budget ● Cash on Hand ●  
 Net Income / (Loss) ● Year End Cash ●



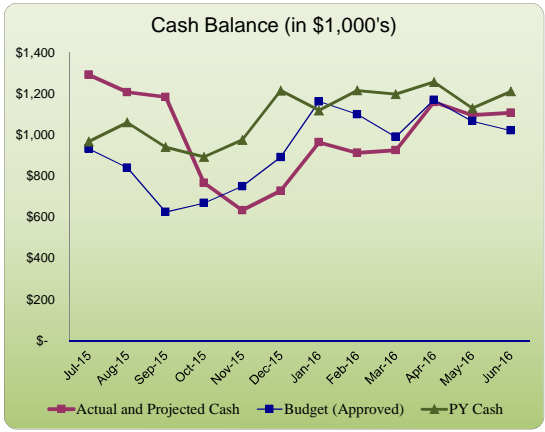
**KEY POINTS**

- Month 3 ADA is 366.6 with enrollment of 372.
- Revenue is projected to be above budget by \$75K.
- Expenses are projected to be lower than budget by \$14K.
- Overall, net income is projected to be \$270K which is \$89K better than budget.
- Cash on hand and projected year-end cash are strong.

ADA Analysis					
Category	Actual through Month 3	Forecasted P2	Budgeted P2	Better/(Worse)	Prior Year P2
Enrollment	372	370	370	0	365
ADA %	98.0%	97.1%	96.5%	0.6%	97.5%
Average ADA	366.60	360.78	357.05	3.73	358.76

Revenue & Expenses per ADA		
Category	Budget	Forecast
Revenue	18,673	17,940
Revenue w/o Fundraising	18,645	18,606
Expense	18,166	17,940

INCOME STATEMENT	FY 15-16 YTD			FY 15-16 Forecast				FY 14-15 Actual		FY 13-14 Actual		
	Actual YTD	Budget YTD	Variance B/(W)	Total Forecast	% of Total	Total Budget	% of Total	Variance B/(W)	14-15	% of Total	13-14	% of Total
LCFF	361,340	357,628	3,712	3,070,770	46%	3,031,725	45%	39,044	2,651,904	53%	1,089,581	75%
Federal Revenue	279,727	598,858	(319,131)	2,816,181	42%	2,813,706	42%	2,475	1,610,689	32%	201,627	14%
State Revenue	152,926	52,209	100,717	823,762	12%	811,821	12%	11,940	658,942	13%	131,167	9%
Other Local Revenue	1,782	0	1,782	1,782	0%	0	0%	1,782	68,539	1%	3,983	0%
Grants/Fundraising	22,153	2,500	19,653	29,653	0%	10,000	0%	19,653	22,999	0%	30,000	2%
<b>TOTAL REVENUE</b>	<b>817,928</b>	<b>1,011,195</b>	<b>(193,267)</b>	<b>6,742,147</b>		<b>6,667,253</b>		<b>74,894</b>	<b>5,013,073</b>		<b>1,456,359</b>	
Certificated Salaries	238,491	249,367	10,876	1,083,044	17%	1,174,137	18%	91,093	950,648	20%	505,794	36%
Classified Salaries	129,578	116,679	(12,899)	572,068	9%	534,654	8%	(37,415)	472,138	10%	167,841	12%
Benefits	139,915	127,693	(12,222)	515,459	8%	522,804	8%	7,345	390,473	8%	130,128	9%
Student Supplies	141,525	185,184	43,659	690,350	11%	692,698	11%	2,348	601,040	13%	121,249	9%
Operating Expenses	783,153	732,026	(51,127)	2,916,891	45%	2,910,424	45%	(6,467)	1,746,513	37%	390,588	27%
Other	126,503	158,370	31,867	694,459	11%	651,462	10%	(42,997)	567,229	12%	108,334	8%
<b>TOTAL EXPENSES</b>	<b>1,559,164</b>	<b>1,569,318</b>	<b>10,154</b>	<b>6,472,271</b>		<b>6,486,179</b>		<b>13,907</b>	<b>4,728,042</b>		<b>1,423,935</b>	
<b>INCOME / (LOSS)</b>	<b>(741,236)</b>	<b>(558,123)</b>	<b>(183,114)</b>	<b>269,876</b>		<b>181,075</b>		<b>88,801</b>	<b>285,031</b>		<b>32,424</b>	



Balance Sheet	6/30/2015	8/31/2015	9/30/2015	6/30/2016 Forecast	Notes
<b>Assets</b>					
Cash	1,210,056	1,205,999	1,183,190	1,106,193	
Accounts Receivable	867,185	298,628	117,550	700,667	
Due From Others	(0)	(63,941)	(108,087)	0	
Other Assets	42,570	33,514	49,912	49,912	
Net Fixed Assets	652,689	742,416	732,376	729,778	
<b>Total Assets</b>	<b>2,772,500</b>	<b>2,216,616</b>	<b>1,974,942</b>	<b>2,586,551</b>	
<b>Liabilities</b>					
A/P & Payroll	534,829	225,478	474,289	78,137	
Due to Others	28,112	16,676	35,380	35,380	
Deferred Revenue	54,784	54,784	54,784	54,784	
Total Debt	6,400	4,368	3,352	0	
<b>Total Liabilities</b>	<b>624,125</b>	<b>301,306</b>	<b>567,805</b>	<b>168,301</b>	
<b>Equity</b>					
Beginning Fund Bal.	1,863,343	2,148,374	2,148,374	2,148,374	
Net Income/(Loss)	285,031	(233,064)	(741,236)	269,876	
<b>Total Equity</b>	<b>2,148,374</b>	<b>1,915,311</b>	<b>1,407,138</b>	<b>2,418,250</b>	
<b>Total Liabilities &amp; Equity</b>	<b>2,772,500</b>	<b>2,216,616</b>	<b>1,974,942</b>	<b>2,586,551</b>	

Y/E Cash Balance		
Projected	Budget	Variance
1,106,193	1,020,299	85,895

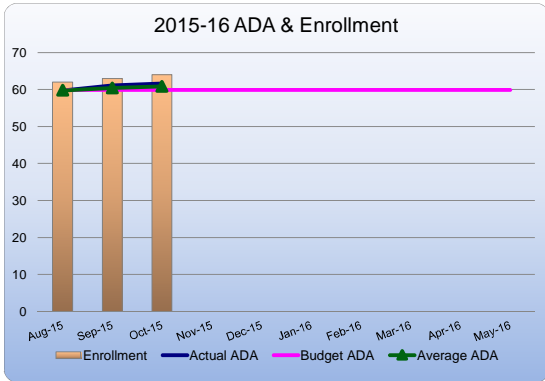
Available Line of Credit				
Days Cash on Hand	96	70	69	64 > 45 days is good
Cash Reserve %	26%	19%	19%	18%





**Key Performance Indicators**

ADA vs. Budget ● Cash on Hand ●  
 Net Income / (Loss) ● Year End Cash ●

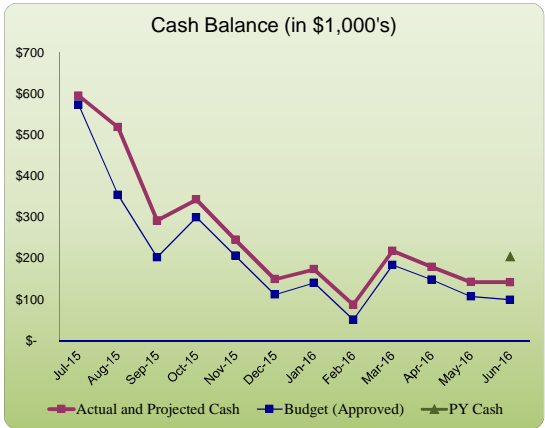


- KEY POINTS**
- Month 3 ADA is 60.82 with enrollment of 64.
  - Revenue is projected to be lower than budget by \$53K.
  - Expenses are projected to be over budget by \$29K.
  - Overall, net income is projected to be \$116K which is \$24K lower than budget.
  - Cash on hand and projected year-end cash are strong. Next year cash flow will require borrowing from Bert Corona during the first half of the year.

Category	Actual through Month 3	Forecasted P2	Budgeted P2	Better/(Worse)	Prior Year P2
Enrollment	64	63	63	0	N/A
ADA %	97.4%	95.9%	95.0%	0.9%	N/A
Average ADA	60.82	60.23	59.85	0.38	N/A

Category	Budget	Forecast
Revenue	24,787	21,814
Revenue w/o Fundraising	20,610	19,596
Expense	22,441	21,814

INCOME STATEMENT	FY 15-16 YTD			FY 15-16 Forecast				FY 14-15 Actual		
	Actual YTD	Budget YTD	Variance B/(W)	Total Forecast	% of Total	Total Budget	% of Total	Variance B/(W)	14-15	% of Total
LCFF	0	25,594	(25,594)	631,207	44%	627,224	42%	3,982	0	0%
Federal Revenue	201,503	204,497	(2,993)	496,556	35%	553,371	37%	(56,815)	51,622	100%
State Revenue	0	8,819	(8,819)	48,780	3%	48,385	3%	395	0	0%
Other Local Revenue	0	417	(417)	3,679	0%	4,536	0%	(857)	0	0%
Grants/Fundraising	250,000	250,000	0	250,000	17%	250,000	17%	0	0	0%
<b>TOTAL REVENUE</b>	<b>451,503</b>	<b>489,328</b>	<b>(37,824)</b>	<b>1,430,222</b>		<b>1,483,517</b>		<b>(53,295)</b>	<b>51,622</b>	
Certificated Salaries	85,433	96,679	11,245	345,091	26%	435,868	32%	90,776	31,453	49%
Classified Salaries	31,019	30,371	(649)	204,899	16%	134,282	10%	(70,618)	14,383	22%
Benefits	25,615	34,615	9,000	150,227	11%	156,175	12%	5,948	5,784	9%
Student Supplies	157,762	192,084	34,323	278,365	21%	276,787	21%	(1,578)	4,784	7%
Operating Expenses	29,950	59,755	29,804	237,030	18%	235,988	18%	(1,042)	8,357	13%
Other	16,079	23,535	7,456	98,206	7%	103,986	8%	5,780	22	0%
<b>TOTAL EXPENSES</b>	<b>345,858</b>	<b>437,038</b>	<b>91,180</b>	<b>1,313,819</b>		<b>1,343,086</b>		<b>29,267</b>	<b>64,783</b>	
<b>INCOME / (LOSS)</b>	<b>105,645</b>	<b>52,290</b>	<b>53,355</b>	<b>116,403</b>		<b>140,431</b>		<b>(24,028)</b>	<b>(13,162)</b>	



Projected	Budget	Variance
141,422	98,818	42,604

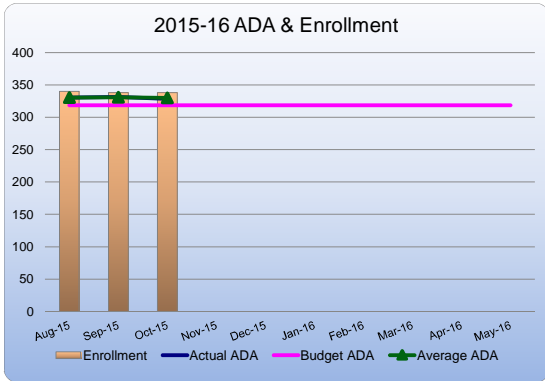
Balance Sheet	6/30/2015	8/31/2015	9/30/2015	6/30/2016 Forecast	Notes
<b>Assets</b>					
Cash	204,311	518,161	291,492	141,422	
Accounts Receivable	0	0	0	144,372	
Due From Others	(56)	(7,327)	(12,978)	(12,978)	
Other Assets	0	0	0	0	
Net Fixed Assets	1,301	60,715	61,255	77,236	
<b>Total Assets</b>	<b>205,557</b>	<b>571,549</b>	<b>339,768</b>	<b>350,052</b>	
<b>Liabilities</b>					
A/P & Payroll	17,215	5,594	5,618	46,809	
Due to Others	0	0	0	0	
Deferred Revenue	201,503	0	0	0	
Total Debt	0	250,000	241,667	200,002	
<b>Total Liabilities</b>	<b>218,718</b>	<b>255,594</b>	<b>247,285</b>	<b>246,811</b>	
<b>Equity</b>					
Beginning Fund Bal.	0	(13,162)	(13,162)	(13,162)	
Net Income/(Loss)	(13,162)	329,117	105,645	116,403	
<b>Total Equity</b>	<b>(13,162)</b>	<b>315,955</b>	<b>92,483</b>	<b>103,241</b>	
<b>Total Liabilities &amp; Equity</b>	<b>205,557</b>	<b>571,549</b>	<b>339,768</b>	<b>350,052</b>	

Available Line of Credit					
Days Cash on Hand	1,152	146	82	40	> 45 days is good
Cash Reserve %	315%	40%	22%	11%	



**Key Performance Indicators**

ADA vs. Budget ● Cash on Hand ●  
 Net Income / (Loss) ● Year End Cash ●

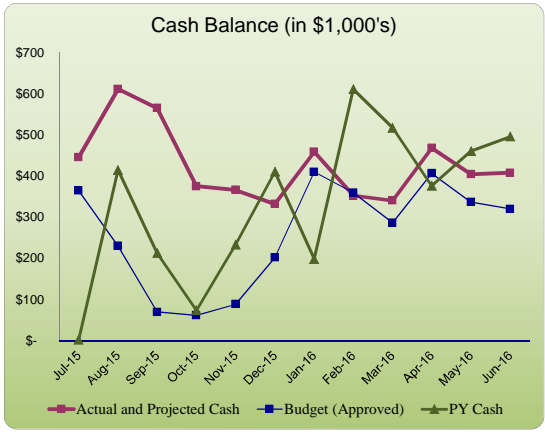


- KEY POINTS**
- Month 3 ADA is 329.84 with enrollment of 338.
  - Revenue is projected to be above budget by \$52K.
  - Expenses are projected to be over budget by \$31K.
  - Overall, net income is projected to be \$141K which is \$21K lower than budget.
  - Cash on hand and projected year-end cash are strong.

ADA Analysis					
Category	Actual through Month 3	Forecasted P2	Budgeted P2	Better/(Worse)	Prior Year P2
Enrollment	338	330	330	0	312
ADA %	97.6%	96.9%	96.5%	0.4%	97.2%
Average ADA	329.84	322.89	318.45	4.44	301.68

Revenue & Expenses per ADA		
Category	Budget	Forecast
Revenue	12,132	11,690
Revenue w/o Fundraising	12,085	12,079
Expense	11,755	11,690

INCOME STATEMENT	FY 15-16 YTD			FY 15-16 Forecast					FY 14-15 Actual		FY 13-14 Actual	
	Actual YTD	Budget YTD	Variance B/(W)	Total Forecast	% of Total	Total Budget	% of Total	Variance B/(W)	14-15	% of Total	13-14	% of Total
LCFF	302,026	308,095	(6,069)	2,819,714	72%	2,780,990	72%	38,725	2,273,172	66%	1,089,581	75%
Federal Revenue	15,089	15,588	(499)	489,001	12%	484,633	13%	4,368	482,999	14%	201,627	14%
State Revenue	44,455	43,919	536	579,581	15%	568,196	15%	11,385	592,525	17%	131,167	9%
Other Local Revenue	0	2,658	(2,658)	11,761	0%	14,500	0%	(2,739)	90,409	3%	3,983	0%
Grants/Fundraising	4,500	3,750	750	15,750	0%	15,000	0%	750	14,500	0%	30,000	2%
<b>TOTAL REVENUE</b>	<b>366,070</b>	<b>374,010</b>	<b>(7,940)</b>	<b>3,915,807</b>		<b>3,863,319</b>		<b>52,489</b>	<b>3,453,605</b>		<b>1,456,359</b>	
Certificated Salaries	189,316	210,454	21,138	996,591	26%	1,019,627	27%	23,036	942,337	29%	505,794	36%
Classified Salaries	132,580	122,211	(10,369)	555,496	15%	545,127	15%	(10,369)	404,835	13%	167,841	12%
Benefits	112,958	105,893	(7,065)	448,530	12%	435,327	12%	(13,203)	374,857	12%	130,128	9%
Student Supplies	19,162	128,724	109,561	477,353	13%	478,772	13%	1,419	423,163	13%	121,249	9%
Operating Expenses	61,244	202,810	141,567	810,762	21%	794,497	21%	(16,265)	697,806	22%	390,588	27%
Other	80,591	113,617	33,027	485,801	13%	469,933	13%	(15,868)	367,960	11%	108,334	8%
<b>TOTAL EXPENSES</b>	<b>595,850</b>	<b>883,709</b>	<b>287,859</b>	<b>3,774,532</b>		<b>3,743,283</b>		<b>(31,249)</b>	<b>3,210,957</b>		<b>1,423,935</b>	
<b>INCOME / (LOSS)</b>	<b>(229,780)</b>	<b>(509,699)</b>	<b>279,919</b>	<b>141,275</b>		<b>120,035</b>		<b>21,239</b>	<b>242,648</b>		<b>32,424</b>	



Balance Sheet	6/30/2015	8/31/2015	9/30/2015	6/30/2016 Forecast	Notes
<b>Assets</b>					
Cash	495,616	610,803	564,564	407,297	
Accounts Receivable	385,392	102,691	94,709	531,248	
Due From Others	51,333	16,865	(53,171)	0	
Other Assets	28,503	4,664	2,000	2,000	
Net Fixed Assets	1,460,177	1,483,081	1,482,679	17,645,078	
<b>Total Assets</b>	<b>2,421,021</b>	<b>2,218,104</b>	<b>2,090,781</b>	<b>18,585,623</b>	
<b>Liabilities</b>					
A/P & Payroll	103,826	36,998	15,810	74,920	
Due to Others	112,991	101,707	100,548	0	
Deferred Revenue	54,444	54,444	54,444	16,219,669	
Total Debt	704,139	704,139	704,139	704,139	
<b>Total Liabilities</b>	<b>975,400</b>	<b>897,288</b>	<b>874,941</b>	<b>16,998,729</b>	
<b>Equity</b>					
Beginning Fund Bal.	1,202,972	1,445,620	1,445,620	1,445,620	
Net Income/(Loss)	242,648	(124,804)	(229,780)	141,275	
<b>Total Equity</b>	<b>1,445,620</b>	<b>1,320,816</b>	<b>1,215,840</b>	<b>1,586,895</b>	
<b>Total Liabilities &amp; Equity</b>	<b>2,421,020</b>	<b>2,218,104</b>	<b>2,090,781</b>	<b>18,585,623</b>	

Y/E Cash Balance		
Projected	Budget	Variance
407,297	319,293	88,005

Available Line of Credit	6/30/2015	8/31/2015	9/30/2015	6/30/2016 Forecast	Notes
Days Cash on Hand	57	59	55	40	> 45 days is good
Cash Reserve %	16%	16%	15%	11%	



## Notice

The following file is attached to this PDF. You will need to open this packet in an application that supports attachments to pdf files, e.g. [Adobe Reader](#):

2015-09 YPICS FINANCIALS FINAL.xlsm

## Coversheet

### Review and Approve YPI Charter Schools' October 2015 Financials

**Section:** V. Finance  
**Item:** B. Review and Approve YPI Charter Schools' October 2015 Financials  
**Purpose:** Vote  
**Submitted by:**  
**Related Material:** 15-16 Dashboard BCCS October 2015.pdf  
BCCS FY15.16 October Notes.docx  
BCHS FY15.16 October Notes.docx  
15-16 Dashboard BCHS October 2015.pdf  
15-16 Dashboard MORCS October 2015.pdf  
MORCS FY15.16 October Notes.docx  
2015-10 YPICS FINANCIALS FINAL.xlsm

Key Performance Indicators

- ADA vs. Budget ● Cash on Hand ●
- Net Income / (Loss) ● Year End Cash ●

KEY POINTS

- Month 3 ADA is 366.60 with enrollment of 370.
- Revenue is projected to be above budget by \$264K mainly due to additional FY14-15 SB740 revenue.
- Expenses are projected to be lower than budget by \$29K.
- Overall, net income is projected to be \$474K which is \$292K better than budget.
- Cash on hand and projected year-end cash are strong.

2015-16 ADA & Enrollment

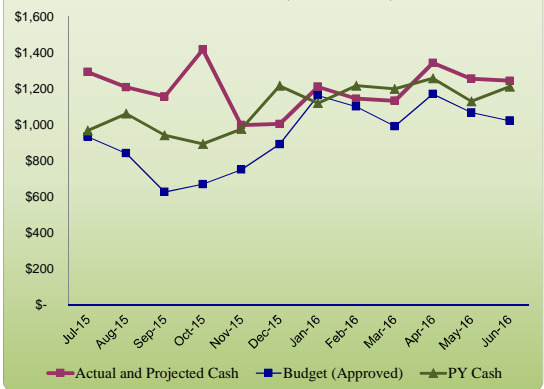


ADA Analysis					
Category	Actual through Month 3	Forecasted P2	Budgeted P2	Better/(Worse)	Prior Year P2
Enrollment	372	370	370	0	365
ADA %	98.0%	97.1%	96.5%	0.6%	97.5%
Average ADA	366.60	360.78	357.05	3.73	358.76

Revenue & Expenses per ADA		
Category	Budget	Forecast
Revenue	18,673	17,899
Revenue w/o Fundraising	18,645	19,132
Expense	18,166	17,899

INCOME STATEMENT	FY 15-16 YTD			FY 15-16 Forecast				FY 14-15 Actual		FY 13-14 Actual		
	Actual YTD	Budget YTD	Variance B/(W)	Total Forecast	% of Total	Total Budget	% of Total	Variance B/(W)	14-15	% of Total	13-14	% of Total
LCFF	753,910	716,865	37,045	3,070,770	44%	3,031,725	45%	39,044	2,651,904	53%	1,089,581	75%
Federal Revenue	527,489	798,002	(270,513)	2,816,181	41%	2,813,706	42%	2,475	1,610,689	32%	201,627	14%
State Revenue	353,618	68,273	285,344	1,007,400	15%	811,821	12%	195,578	658,942	13%	131,167	9%
Other Local Revenue	7,868	0	7,868	7,890	0%	0	0%	7,890	68,539	1%	3,983	0%
Grants/Fundraising	22,153	3,333	18,820	28,820	0%	10,000	0%	18,820	22,999	0%	30,000	2%
<b>TOTAL REVENUE</b>	<b>1,665,038</b>	<b>1,586,473</b>	<b>78,565</b>	<b>6,931,060</b>		<b>6,667,253</b>		<b>263,807</b>	<b>5,013,073</b>		<b>1,456,359</b>	
Certificated Salaries	321,653	349,145	27,492	1,075,341	17%	1,174,137	18%	98,796	950,648	20%	505,794	36%
Classified Salaries	179,146	166,471	(12,674)	569,621	9%	534,654	8%	(34,968)	472,138	10%	167,841	12%
Benefits	160,159	171,979	11,820	524,976	8%	522,804	8%	(2,172)	390,473	8%	130,128	9%
Student Supplies	240,993	250,348	9,355	683,011	11%	692,698	11%	9,686	601,040	13%	121,249	9%
Operating Expenses	936,605	974,381	37,776	2,916,891	45%	2,910,424	45%	(6,467)	1,746,513	37%	390,588	27%
Other	205,383	213,789	8,406	687,674	11%	651,462	10%	(36,213)	567,229	12%	108,334	8%
<b>TOTAL EXPENSES</b>	<b>2,043,939</b>	<b>2,126,113</b>	<b>82,174</b>	<b>6,457,515</b>		<b>6,486,179</b>		<b>28,664</b>	<b>4,728,042</b>		<b>1,423,935</b>	
<b>INCOME / (LOSS)</b>	<b>(378,901)</b>	<b>(539,640)</b>	<b>160,739</b>	<b>473,545</b>		<b>181,075</b>		<b>292,470</b>	<b>285,031</b>		<b>32,424</b>	

Cash Balance (in \$1,000's)



Y/E Cash Balance		
Projected	Budget	Variance
1,241,970	1,020,299	221,671

Balance Sheet	6/30/2015	9/30/2015	10/31/2015	6/30/2016 Forecast	Notes
<b>Assets</b>					
Cash	1,210,056	1,154,803	1,415,300	1,241,970	
Accounts Receivable	867,185	117,550	15,000	778,078	
Due From Others	(0)	(108,866)	0	0	
Other Assets	42,570	49,912	4,084	4,084	
Net Fixed Assets	652,689	732,376	720,370	730,652	
<b>Total Assets</b>	<b>2,772,500</b>	<b>1,945,776</b>	<b>2,154,753</b>	<b>2,754,783</b>	
<b>Liabilities</b>					
A/P & Payroll	534,829	445,122	291,140	78,080	
Due to Others	28,112	35,380	37,021	0	
Deferred Revenue	54,784	54,784	54,784	54,784	
Total Debt	6,400	3,352	2,336	0	
<b>Total Liabilities</b>	<b>624,125</b>	<b>538,638</b>	<b>385,280</b>	<b>132,864</b>	
<b>Equity</b>					
Beginning Fund Bal.	1,863,343	2,148,374	2,148,374	2,148,374	
Net Income/(Loss)	285,031	(741,236)	(378,901)	473,545	
<b>Total Equity</b>	<b>2,148,374</b>	<b>1,407,138</b>	<b>1,769,473</b>	<b>2,621,919</b>	
<b>Total Liabilities &amp; Equity</b>	<b>2,772,500</b>	<b>1,945,776</b>	<b>2,154,753</b>	<b>2,754,783</b>	

Available Line of Credit	6/30/2015	9/30/2015	10/31/2015	6/30/2016 Forecast	Notes
Days Cash on Hand	96	67	82	72	> 45 days is good
Cash Reserve %	26%	18%	23%	20%	





## BERT CORONA CHARTER SCHOOL

### Financial Analysis

### October 2015

#### Net Income

BERT CORONA CHARTER SCHOOL is projected to achieve a net income of \$474K in FY15-16 compared to \$181K in the board approved budget. Reasons for this positive \$292K variance are explained below in the Income Statement section of this analysis.

#### Balance Sheet

As of October 31, 2015, the school's cash balance was \$1,415K. By June 30, 2016, the school's cash balance is projected to be \$1,242K, which represents a 19.8% reserve.

As of October 31, 2015, the Accounts Receivable balance was \$15K, down from \$118K in the previous month, due to the receipt of revenue earned in FY14-15.

As of October 31, 2015, the Accounts Payable balance, including payroll liabilities, totaled \$291K, compared to \$445K in the prior month.

As of October 31, 2015, BCCS had a debt balance of \$2K compared to \$3K in the prior month.

#### Income Statement

##### *Revenue*

Total revenue for FY15-16 is projected to be \$6,931K, which is \$264K or 4% over budgeted revenue of \$6,667K.

**Object Code 8591** – SB 740 Revenue is above budget by \$183K due to under accrual for FY14-15.

##### *Expenses*

Total expenses for FY15-16 are projected to be \$6,458K, which is \$29K or 0% under budgeted expenditures of \$6,486K.

**Object Code 1110 and 2100** – Teacher salaries are lower than budgeted by \$114K while Instructional Aid salaries are higher than budget by \$44K due to reclassification of non-certificated teachers to Object code 2100

#### ADA

Budgeted average ADA for FY15-16 is 357.05 based on an enrollment of 370 and a 96.5% attendance rate.

The forecast assumes an ADA of 360.78 based on an enrollment of 370 and a 97.1% attendance rate.

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$20,000 and 10%.*



In Month 3, ADA was 365.84 with 372 students enrolled at the end of the month and a 98% ADA rate.

Average ADA for the year (through Month 3) is 366.60 (a 98.0% ADA rate for the year to date).

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$20,000 and 10%.*



## YPI Valley Public Charter School Financial Analysis October 2015

### Net Income

YPI Valley Public Charter School is projected to achieve a net income of \$137K in FY15-16 compared to \$140K in the board approved budget. Reasons for this negative \$3K variance are explained below in the Income Statement section of this analysis.

### Balance Sheet

As of October 31, 2015, the school's cash balance was \$205K. By June 30, 2016, the school's cash balance is projected to be \$173K, which represents a 13.5% reserve.

As of October 31, 2015, the Accounts Receivable balance was zero.

As of October 31, 2015, the Accounts Payable balance, including payroll liabilities, totaled \$6K, compared to \$6K in the prior month.

As of October 31, 2015, YPI VPCS had a debt balance of \$233K compared to \$242K in the prior month.

### Income Statement

#### *Revenue*

Total revenue for FY15-16 is projected to be \$1,434K, which is \$50K or 3% under budgeted revenue of \$1,484K.

#### *Expenses*

Total expenses for FY15-16 are projected to be \$1,297K, which is \$46K or 3% under budgeted expenditures of \$1,343K.

**Object Code 1110 and 2100** – Teacher salaries are lower than budgeted by \$103K while Instructional Aid salaries are higher than budget by \$68K due to reclassification of non-certificated teachers to Object code 2100

**Object Code 5851** – Instructional Consultants costs are higher than budgeted by \$14K

### ADA

Budgeted average ADA for FY15-16 is 59.85 based on an enrollment of 63 and a 95.0% attendance rate.

The forecast assumes an ADA of 60.23 based on an enrollment of 63 and a 95.9% attendance rate.

In Month 3, ADA was 61.63 with 64 students enrolled at the end of the month and a 96% ADA rate.

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$8,000 and 10%.*



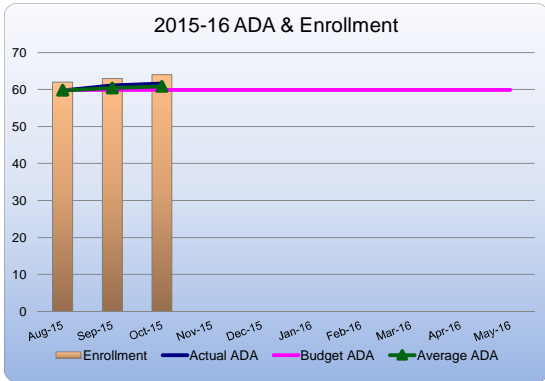


Average ADA for the year (through Month 3) is 60.82 (a 97.4% ADA rate for the year to date).

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$8,000 and 10%.*

**Key Performance Indicators**

ADA vs. Budget ● Cash on Hand ●  
 Net Income / (Loss) ● Year End Cash ●



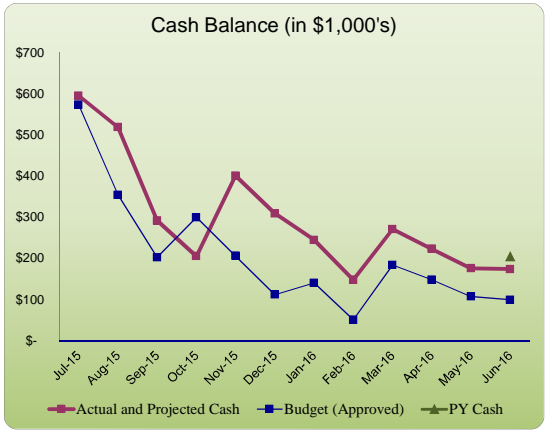
**KEY POINTS**

- Month 3 ADA is 60.82 with enrollment of 64.
- Revenue is projected to be lower than budget by \$50K.
- Expenses are projected to be under budget by \$47K.
- Overall, net income is projected to be \$137K which is \$3K lower than budget.
- Cash on hand and projected year-end cash are strong. Next year cash flow will require borrowing from Bert Corona during the first half of the year.

ADA Analysis					
Category	Actual through Month 3	Forecasted P2	Budgeted P2	Better/(Worse)	Prior Year P2
Enrollment	64	63	63	0	N/A
ADA %	97.4%	95.9%	95.0%	0.9%	N/A
Average ADA	60.82	60.23	59.85	0.38	N/A

Revenue & Expenses per ADA		
Category	Budget	Forecast
Revenue	24,787	21,535
Revenue w/o Fundraising	20,610	19,658
Expense	22,441	21,535

INCOME STATEMENT	FY 15-16 YTD			FY 15-16 Forecast				FY 14-15 Actual		
	Actual YTD	Budget YTD	Variance B/(W)	Total Forecast	% of Total	Total Budget	% of Total	Variance B/(W)	14-15	% of Total
LCFF	45,376	227,683	(182,308)	631,207	44%	627,224	42%	3,982	0	0%
Federal Revenue	206,255	205,418	837	500,817	35%	553,371	37%	(52,554)	51,622	100%
State Revenue	13,999	11,533	2,466	48,780	3%	48,385	3%	395	0	0%
Other Local Revenue	0	886	(886)	3,150	0%	4,536	0%	(1,386)	0	0%
Grants/Fundraising	250,000	250,000	0	250,000	17%	250,000	17%	0	0	0%
<b>TOTAL REVENUE</b>	<b>515,630</b>	<b>695,521</b>	<b>(179,891)</b>	<b>1,433,954</b>		<b>1,483,517</b>		<b>(49,563)</b>	<b>51,622</b>	
Certificated Salaries	109,052	133,533	24,481	339,867	26%	435,868	32%	96,001	31,453	49%
Classified Salaries	47,441	42,353	(5,088)	201,565	16%	134,282	10%	(67,283)	14,383	22%
Benefits	30,273	48,113	17,840	138,959	11%	156,175	12%	17,216	5,784	9%
Student Supplies	193,357	201,615	8,258	286,241	22%	276,787	21%	(9,453)	4,784	7%
Operating Expenses	66,094	79,390	13,296	230,598	18%	235,988	18%	5,390	8,357	13%
Other	29,843	33,876	4,033	99,755	8%	103,986	8%	4,232	22	0%
<b>TOTAL EXPENSES</b>	<b>476,061</b>	<b>538,880</b>	<b>62,819</b>	<b>1,296,984</b>		<b>1,343,086</b>		<b>46,101</b>	<b>64,783</b>	
<b>INCOME / (LOSS)</b>	<b>39,569</b>	<b>156,641</b>	<b>(117,072)</b>	<b>136,969</b>		<b>140,431</b>		<b>(3,462)</b>	<b>(13,162)</b>	



Y/E Cash Balance		
Projected	Budget	Variance
173,401	98,818	74,583

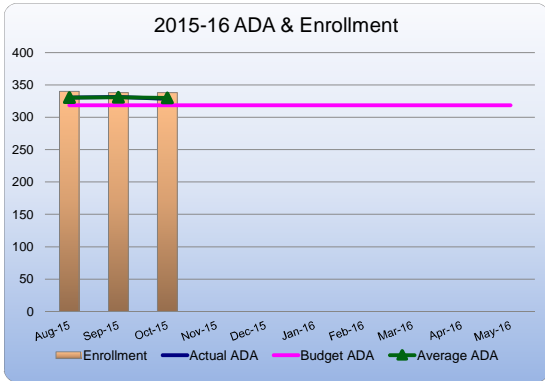
Balance Sheet	6/30/2015	9/30/2015	10/31/2015	6/30/2016 Forecast	Notes
<b>Assets</b>					
Cash	204,311	291,619	205,020	173,401	
Accounts Receivable	0	0	0	139,543	
Due From Others	(56)	(13,105)	(0)	(0)	
Other Assets	0	0	0	0	
Net Fixed Assets	1,301	61,255	60,305	57,045	
<b>Total Assets</b>	<b>205,557</b>	<b>339,768</b>	<b>265,325</b>	<b>369,990</b>	
<b>Liabilities</b>					
A/P & Payroll	17,215	5,618	5,583	46,180	
Due to Others	0	0	0	0	
Deferred Revenue	201,503	0	0	0	
Total Debt	0	241,667	233,334	200,002	
<b>Total Liabilities</b>	<b>218,718</b>	<b>247,285</b>	<b>238,917</b>	<b>246,182</b>	
<b>Equity</b>					
Beginning Fund Bal.	0	(13,162)	(13,162)	(13,162)	
Net Income/(Loss)	(13,162)	105,645	39,569	136,969	
<b>Total Equity</b>	<b>(13,162)</b>	<b>92,483</b>	<b>26,408</b>	<b>123,808</b>	
<b>Total Liabilities &amp; Equity</b>	<b>205,557</b>	<b>339,768</b>	<b>265,325</b>	<b>369,990</b>	

Available Line of Credit					
Days Cash on Hand	1,152	82	58	49	> 45 days is good
Cash Reserve %	315%	22%	16%	13%	



**Key Performance Indicators**

ADA vs. Budget ● Cash on Hand ●  
 Net Income / (Loss) ● Year End Cash ●

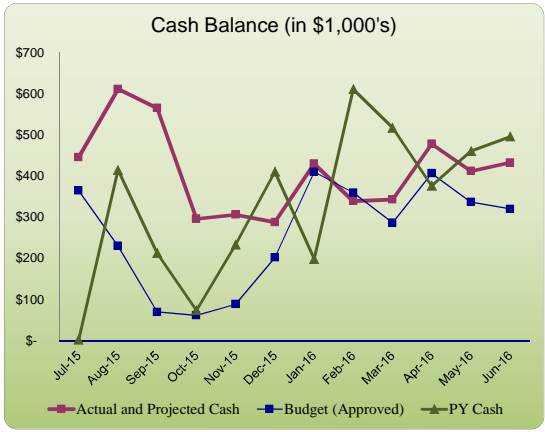


- KEY POINTS**
- Month 1 ADA is 329.84 with enrollment of 338.
  - Revenue is projected to be above budget by \$19K.
  - Expenses are projected to be below budget by \$34K.
  - Overall, net income is projected to be \$174K which is \$53K higher than budget.
  - Cash on hand and projected year-end cash are strong.

ADA Analysis					
Category	Actual through Month 3	Forecasted P2	Budgeted P2	Better/(Worse)	Prior Year P2
Enrollment	338	330	330	0	312
ADA %	97.6%	96.9%	96.5%	0.4%	97.2%
Average ADA	329.84	322.89	318.45	4.44	301.68

Revenue & Expenses per ADA		
Category	Budget	Forecast
Revenue	12,132	11,489
Revenue w/o Fundraising	12,085	11,981
Expense	11,755	11,489

INCOME STATEMENT	FY 15-16 YTD			FY 15-16 Forecast				FY 14-15 Actual		FY 13-14 Actual		
	Actual YTD	Budget YTD	Variance B/(W)	Total Forecast	% of Total	Total Budget	% of Total	Variance B/(W)	14-15	% of Total	13-14	% of Total
LCFF	441,924	597,189	(155,265)	2,819,714	73%	2,780,990	72%	38,725	2,273,172	66%	1,089,581	75%
Federal Revenue	19,732	20,384	(653)	489,001	13%	484,633	13%	4,368	482,999	14%	201,627	14%
State Revenue	136,179	57,432	78,747	549,651	14%	568,196	15%	(18,544)	592,525	17%	131,167	9%
Other Local Revenue	0	4,431	(4,431)	10,069	0%	14,500	0%	(4,431)	90,409	3%	3,983	0%
Grants/Fundraising	4,500	5,000	(500)	14,500	0%	15,000	0%	(500)	14,500	0%	30,000	2%
<b>TOTAL REVENUE</b>	<b>602,335</b>	<b>684,435</b>	<b>(82,101)</b>	<b>3,882,936</b>		<b>3,863,319</b>		<b>19,618</b>	<b>3,453,605</b>		<b>1,456,359</b>	
Certificated Salaries	260,732	297,295	36,563	980,586	26%	1,019,627	27%	39,040	942,337	29%	505,794	36%
Classified Salaries	183,926	174,186	(9,740)	554,867	15%	545,127	15%	(9,740)	404,835	13%	167,841	12%
Benefits	130,103	143,001	12,899	434,006	12%	435,327	12%	1,321	374,857	12%	130,128	9%
Student Supplies	109,033	177,545	68,512	476,535	13%	478,772	13%	2,237	423,163	13%	121,249	9%
Operating Expenses	211,352	268,857	57,505	781,179	21%	794,497	21%	13,318	697,806	22%	390,588	27%
Other	139,651	153,354	13,703	482,468	13%	469,933	13%	(12,535)	367,960	11%	108,334	8%
<b>TOTAL EXPENSES</b>	<b>1,034,796</b>	<b>1,214,238</b>	<b>179,442</b>	<b>3,709,641</b>		<b>3,743,283</b>		<b>33,642</b>	<b>3,210,957</b>		<b>1,423,935</b>	
<b>INCOME / (LOSS)</b>	<b>(432,461)</b>	<b>(529,802)</b>	<b>97,341</b>	<b>173,295</b>		<b>120,035</b>		<b>53,260</b>	<b>242,648</b>		<b>32,424</b>	



Y/E Cash Balance		
Projected	Budget	Variance
431,986	319,293	112,694

Balance Sheet	6/30/2015	9/30/2015	10/31/2015	6/30/2016 Forecast	Notes
<b>Assets</b>					
Cash	495,616	564,564	295,944	431,986	
Accounts Receivable	385,392	94,709	94,709	528,255	
Due From Others	51,333	(53,171)	9,899	0	
Other Assets	28,503	2,000	0	0	
Net Fixed Assets	1,460,177	1,482,679	1,481,276	17,657,583	
<b>Total Assets</b>	<b>2,421,021</b>	<b>2,090,781</b>	<b>1,881,828</b>	<b>18,617,824</b>	
<b>Liabilities</b>					
A/P & Payroll	103,826	15,810	15,905	75,101	
Due to Others	112,991	100,548	94,181	0	
Deferred Revenue	54,444	54,444	54,444	16,219,669	
Total Debt	704,139	704,139	704,139	704,139	
<b>Total Liabilities</b>	<b>975,400</b>	<b>874,941</b>	<b>868,670</b>	<b>16,998,910</b>	
<b>Equity</b>					
Beginning Fund Bal.	1,202,972	1,445,620	1,445,620	1,445,620	
Net Income/(Loss)	242,648	(229,780)	(432,461)	173,295	
<b>Total Equity</b>	<b>1,445,620</b>	<b>1,215,840</b>	<b>1,013,158</b>	<b>1,618,915</b>	
<b>Total Liabilities &amp; Equity</b>	<b>2,421,020</b>	<b>2,090,781</b>	<b>1,881,828</b>	<b>18,617,825</b>	

Available Line of Credit					
Days Cash on Hand	57	55	29	43	> 45 days is good
Cash Reserve %	16%	15%	8%	12%	





## MONSEÑOR OSCAR ROMERO CHARTER SCHOOL

### Financial Analysis

### October 2015

#### Net Income

MONSEÑOR OSCAR ROMERO CHARTER SCHOOL is projected to achieve a net income of \$173K in FY15-16 compared to \$120K in the board approved budget. Reasons for this positive \$53K variance are explained below in the Income Statement section of this analysis.

#### Balance Sheet

As of October 31, 2015, the school's cash balance was \$296K. By June 30, 2016, the school's cash balance is projected to be \$432K, which represents a 11.7% reserve.

As of October 31, 2015, the Accounts Receivable balance was \$95K, down from \$95K in the previous month, due to the receipt of revenue earned in FY14-15.

As of October 31, 2015, the Accounts Payable balance, including payroll liabilities, totaled \$16K, compared to \$16K in the prior month.

As of October 31, 2015, MORCS had a debt balance of \$704K. The total amount of debt represents a portion of Prop 1D that will need to be repaid starting one year after the project is complete.

#### Income Statement

##### *Revenue*

Total revenue for FY15-16 is projected to be \$3,883K, which is \$20K or 1% over budgeted revenue of \$3,863K.

**Object Code 8599** – Other State Revenue is \$30K below budget due to reduction of ASES grant.

##### *Expenses*

Total expenses for FY15-16 are projected to be \$3,710K, which is \$34K or 1% under budgeted expenditures of \$3,743K.

**Object Code 5851** – Instructional Consultants cost is \$30K below budget due to reduction of ASES grant.

#### ADA

Budgeted average ADA for FY15-16 is 318.45 based on an enrollment of 330 and a 96.5% attendance rate.

The forecast assumes an ADA of 322.90 based on an enrollment of 330 and a 96.9% attendance rate.

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$12,000 and 10%.*



In Month 3, ADA was 328.21 with 338 students enrolled at the end of the month and a 98% ADA rate.

Average ADA for the year (through Month 3) is 329.84 (a 97.6% ADA rate for the year to date).

*This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$12,000 and 10%.*

## Notice

The following file is attached to this PDF. You will need to open this packet in an application that supports attachments to pdf files, e.g. [Adobe Reader](#):

2015-10 YPICS FINANCIALS FINAL.xlsm

# Coversheet

## YPICS 14-15 Audit

**Section:** V. Finance  
**Item:** D. YPICS 14-15 Audit  
**Purpose:** Vote  
**Submitted by:**  
**Related Material:** YPI Charter Schools 2015 Audited FS Draft Revised 11.23.15.pdf  
Required Communications - Draft.pdf

**YPI CHARTER SCHOOLS, INC.**

**(A California Non-Profit  
Public Benefit Corporation)**

**Operating:**

**Bert Corona Charter School  
Monsenor Oscar Romero Charter School  
YPI Valley Public Charter High School**

**Independent Auditor's Report  
and Financial Statements  
For the Year Ended  
June 30, 2015**





**YPI CHARTER SCHOOLS, INC.**

**TABLE OF CONTENTS**  
**June 30, 2015**

Independent Auditor’s Report..... 1

Statement of Financial Position ..... 3

Statement of Activities..... 4

Statement of Cash Flows ..... 5

Statement of Functional Expenses ..... 6

Notes to the Financial Statements..... 7

Local Education Agency Organization Structure ..... 13

Schedule of Instructional Time..... 14

Schedule of Average Daily Attendance ..... 15

Reconciliation of Annual Financial Report with Audited Financial Statements ..... 16

Schedule of Expenditures of Federal Awards..... 17

Notes to the Supplementary Information..... 18

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance  
 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards*..... 19

Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal  
 Control Over Compliance Required by OMB Circular A-133 ..... 21

Independent Auditor’s Report on State Compliance ..... 23

Schedule of Findings and Questioned Costs..... 25

Status of Prior Year Findings and Questioned Costs..... 27



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
 YPI Charter Schools, Inc.  
 Pacoima, CA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of YPI Charter Schools, Inc. (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Directors  
YPI Charter Schools, Inc.

## **Opinion**

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
November 30, 2015

**YPI CHARTER SCHOOLS, INC.**
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2015**

	<u>Bert Corona Charter School</u>	<u>Monsenor Oscar Romero Charter School</u>	<u>YPI Valey Public Charter High School</u>	<u>Central Administration</u>	<u>Consolidated Total</u>
<b><u>ASSETS</u></b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 1,210,056	\$ 495,616	\$ 204,311	\$ 11,004	\$ 1,920,987
Accounts receivable - federal and state	867,184	385,391	-	-	1,252,575
Accounts receivable - other	-	51,333	-	-	51,333
Prepaid expenses and other assets	42,570	28,503	-	17,615	88,688
Total current assets	<u>2,119,810</u>	<u>960,843</u>	<u>204,311</u>	<u>28,619</u>	<u>3,313,583</u>
<b>LONG-TERM ASSETS:</b>					
Property, plant and equipment, net	652,690	1,460,177	1,301	-	2,114,168
Other long-term assets	-	-	-	10,000	10,000
Total long-term assets	<u>652,690</u>	<u>1,460,177</u>	<u>1,301</u>	<u>10,000</u>	<u>2,124,168</u>
Total assets	<u>\$ 2,772,500</u>	<u>\$ 2,421,020</u>	<u>\$ 205,612</u>	<u>\$ 38,619</u>	<u>\$ 5,437,751</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable and accrued liabilities	\$ 550,695	\$ 198,995	\$ 17,094	\$ 38,619	\$ 805,403
Deferred revenue	54,784	54,444	201,503	-	310,731
Amount held for others	12,246	17,822	-	-	30,068
Capital lease, current portion	6,400	-	-	-	6,400
Total current liabilities	<u>624,125</u>	<u>271,261</u>	<u>218,597</u>	<u>38,619</u>	<u>1,152,602</u>
<b>LONG-TERM LIABILITIES:</b>					
Loan payable	-	704,139	-	-	704,139
Total long-term liabilities	<u>-</u>	<u>704,139</u>	<u>-</u>	<u>-</u>	<u>704,139</u>
<b>NET ASSETS:</b>					
Unrestricted	<u>2,148,375</u>	<u>1,445,620</u>	<u>(12,985)</u>	<u>-</u>	<u>3,581,010</u>
Total net assets	<u>2,148,375</u>	<u>1,445,620</u>	<u>(12,985)</u>	<u>-</u>	<u>3,581,010</u>
Total liabilities and net assets	<u>\$ 2,772,500</u>	<u>\$ 2,421,020</u>	<u>\$ 205,612</u>	<u>\$ 38,619</u>	<u>\$ 5,437,751</u>

*The accompanying notes are an integral part of these financial statements.*

## YPI CHARTER SCHOOLS, INC.

### STATEMENT OF ACTIVITIES For the Year Ended June 30, 2015

	<u>Bert Corona Charter School</u>	<u>Monseñor Oscar Romero Charter School</u>	<u>YPI Valley Public Charter High School</u>	<u>Central Administration</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>REVENUES:</b>						
State revenue:						
State aid	\$ 2,075,193	\$ 1,789,215	\$ -	\$ -	\$ -	\$ 3,864,408
Other state revenue	671,143	598,223	-	-	-	1,269,366
Federal revenue:						
Grants and entitlements	1,610,688	482,999	51,622	-	-	2,145,309
Local revenue:						
In-lieu property tax revenue	590,078	496,194	-	-	-	1,086,272
Contributions	22,999	14,500	-	-	-	37,499
Other revenue	42,971	72,473	-	727,912	(727,912)	115,444
Total revenues	<u>5,013,072</u>	<u>3,453,604</u>	<u>51,622</u>	<u>727,912</u>	<u>(727,912)</u>	<u>8,518,298</u>
<b>EXPENSES:</b>						
Program services	3,616,456	2,528,873	49,133	-	-	6,194,462
Management and general	1,111,588	682,083	15,474	727,912	(727,912)	1,809,145
Total expenses	<u>4,728,044</u>	<u>3,210,956</u>	<u>64,607</u>	<u>727,912</u>	<u>(727,912)</u>	<u>8,003,607</u>
Change in unrestricted net assets	285,028	242,648	(12,985)	-	-	514,691
Beginning unrestricted net assets	<u>1,863,347</u>	<u>1,202,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,066,319</u>
Ending unrestricted net assets	<u>\$ 2,148,375</u>	<u>\$ 1,445,620</u>	<u>\$ (12,985)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,581,010</u>

*The accompanying notes are an integral part of these financial statements.*

**YPI CHARTER SCHOOLS, INC.**
**STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2015**

	<b>Bert Corona Charter School</b>	<b>Monsenor Oscar Romero Charter School</b>	<b>YPI Valley Public Charter High School</b>	<b>Central Administration</b>	<b>Consolidated Total</b>
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>					
Change in net assets	\$ 285,028	\$ 242,648	\$ (12,985)	\$ -	\$ 514,691
Adjustments to reconcile change in net assets to net cash flows from operating activities:					
Depreciation	140,225	17,546	22	-	157,793
Change in operating assets:					
Accounts receivable - federal and state	(294,434)	264,002	-	-	(30,432)
Accounts receivable - other	515	574,128	-	-	574,643
Prepaid expenses and other assets	(32,496)	(18,588)	-	(14,404)	(65,488)
Other long-term assets	-	-	-	(10,000)	(10,000)
Change in operating liabilities:					
Accounts payable and accrued liabilities	372,777	(627,831)	17,094	(4,263)	(242,223)
Amounts held for others	3,165	(5,963)	-	-	(2,798)
Deferred revenue	(15,706)	-	201,503	-	185,797
Net cash flows from operating activities	<u>459,074</u>	<u>445,942</u>	<u>205,634</u>	<u>(28,667)</u>	<u>1,081,983</u>
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>					
Purchases of property, plant and equipment	(90,443)	(354,260)	(1,323)	-	(446,026)
Net cash flows from investing activities	<u>(90,443)</u>	<u>(354,260)</u>	<u>(1,323)</u>	<u>-</u>	<u>(446,026)</u>
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>					
Payments on capital lease	(12,193)	-	-	-	(12,193)
Proceeds from debt	-	175,441	-	-	175,441
Net cash flows from financing activities	<u>(12,193)</u>	<u>175,441</u>	<u>-</u>	<u>-</u>	<u>163,248</u>
Net change in cash and cash equivalents	356,438	267,123	204,311	(28,667)	799,205
Cash and cash equivalents at the beginning of the year	<u>853,618</u>	<u>228,493</u>	<u>-</u>	<u>39,671</u>	<u>1,121,782</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,210,056</u>	<u>\$ 495,616</u>	<u>\$ 204,311</u>	<u>\$ 11,004</u>	<u>\$ 1,920,987</u>

*The accompanying notes are an integral part of these financial statements.*

**YPI CHARTER SCHOOLS, INC.**
**STATEMENT OF FUNCTIONAL EXPENSES  
 For the Year Ended June 30, 2015**

	<b>Program Services</b>	<b>Management and General</b>	<b>Total Expenses</b>
Salaries and wages	\$ 2,057,699	\$ 1,174,501	\$ 3,232,200
Pension expense	119,403	64,845	184,248
Other employee benefits	371,623	196,935	568,558
Payroll taxes	73,004	45,556	118,560
Management fees	49,507	-	49,507
Legal expenses	-	14,276	14,276
Accounting expenses	-	162,050	162,050
Other fees for services	1,552,399	224	1,552,623
Advertising and promotion	12,854	3,007	15,861
Office expenses	-	70,529	70,529
Occupancy	450,229	-	450,229
Conference and meeting expenses	28,916	25,389	54,305
Depreciation	157,793	-	157,793
Insurance expense	-	44,574	44,574
Instructional materials	1,028,988	-	1,028,988
Other expenses	292,047	7,259	299,306
	<u>\$ 6,194,462</u>	<u>\$ 1,809,145</u>	<u>\$ 8,003,607</u>

*The accompanying notes are an integral part of these financial statements.*

**YPI CHARTER SCHOOLS, INC.****NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015****NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities*** – YPI Charter Schools, Inc. (the School) is a California non-profit public benefit corporation developed by the Youth Policy Institute (YPI). The School currently manages three charter schools: Bert Corona Charter School, Monsenor Oscar Romero Charter School, and YPI Valley Public Charter High School. All of these charter schools are funded principally through State of California public education monies received through the California Department of Education and the Los Angeles Unified School District (the District).

The School's vision is to equip urban students in grades 6-12 for academic success and active community participation. The majority of students come from predominantly Latino immigrant families with high poverty levels. The School seeks to close the achievement gap for these students by providing clear and high expectations for all students to achieve a personalized and supportive learning environment that recognizes students' accomplishments, family-school-community partnerships and service, and integrated technology in the classroom.

***Cash and Cash Equivalents*** – The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

***Use of Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

***Basis of Accounting*** – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

***Functional Allocation of Expenses*** – Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

***Basis of Presentation*** – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

***Net Asset Classes*** – The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the School are defined as:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The School does not currently have any temporarily restricted net assets.



**YPI CHARTER SCHOOLS, INC.****NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015****NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

**Receivables** – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2015. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

**Property, Plant and Equipment** – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The School capitalizes all expenditures for land, buildings and equipment in excess of \$1,000.

**Compensated Absences** – Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation.

**Revenue Recognition** – Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

**Contributions** – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Income Taxes** – The School is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

**Evaluation of Subsequent Events** – The School has evaluated subsequent events through November 30, 2015, the date these financial statements were available to be issued.

**YPI CHARTER SCHOOLS, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 2: CONCENTRATION OF CREDIT RISK**

The School maintains its cash and cash equivalents at high-credit quality financial institutions. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.!

**NOTE 3: PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$157,793 for the year ended June 30, 2015.

The components of property, plant and equipment as of June 30, 2015 are as follows:

	<b>Bert Corona Charter School</b>	<b>Monsenor Oscar Romero Charter School</b>	<b>YPI Valley Public Charter High School</b>	<b>Total</b>
Building	\$ 1,148,788	\$ 3,088	\$ -	\$ 1,151,876
Building improvements	118,764	-	-	118,764
Computer and equipment	509,264	130,255	1,323	640,842
Furniture	16,787	-	-	16,787
Subtotal	1,793,603	133,343	1,323	1,928,269
Less: accumulated depreciation	(1,213,714)	(81,445)	(22)	(1,295,181)
Work in progress	72,801	1,408,279	-	1,481,080
Total	\$ 652,690	\$ 1,460,177	\$ 1,301	\$ 2,114,168

**NOTE 4: EMPLOYEE RETIREMENT**

**Multi-employer Defined Benefit Pension Plans**

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

**YPI CHARTER SCHOOLS, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 4: EMPLOYEE RETIREMENT**

**State Teachers’ Retirement System (STRS)**

**Plan Description**

The School contributes to the State Teachers’ Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2014, total plan net assets are \$191 billion, the total actuarial present value of accumulated plan benefits is \$287 billion, contributions from all employers totaled \$2.3 billion, and the plan is 68.5% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

**Funding Policy**

Active plan members are required to contribute 8.15% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers’ Retirement Board. The required employer contribution rate for year ended June 30, 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

The School’s contributions to STRS for the past three years are as follows:

Year Ended	Bert Corona Charter School		Monsenor Oscar Romero Charter School	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
June 30, 2013	\$ 82,543	100%	\$ 75,327	100%
2014	\$ 85,189	100%	\$ 69,598	100%
2015	\$ 96,477	100%	\$ 87,771	100%

**YPI CHARTER SCHOOLS, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 5: OPERATING LEASES**

**Monsenor Oscar Romero Charter School**

The School has a co-location facility use agreement for Monsenor Oscar Romero Charter School with the Los Angeles Unified School District (the District) for property shared with Berendo Middle School. The total pro-rata share charge payments made for the 14/15 fiscal year was \$96,752.

**Bert Corona Charter School**

The School leases facilities under a sublease from YPI (a related party) until June 30, 2021 for Bert Corona Charter School. Rent expense for the year ended June 30, 2015 under this lease was \$102,300.

Future minimum lease payments are as follows:

Year Ended June 30,	
2016	\$ 102,000
2017	108,000
2018	108,000
2019	114,000
2020	114,000
Thereafter	114,000
Total	<u>\$ 660,000</u>

**NOTE 6: RELATED PARTY**

The School has entered into several transactions with YPI (a related party). These transactions include YPI's sublease of its facilities to the School and the management services that YPI provides to the School. The School and YPI also have three common members of the board.

**NOTE 7: CONTINGENCIES**

The School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

**YPI CHARTER SCHOOLS, INC.****NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015****NOTE 8: COMMITMENTS****Prop 1D**

The School was awarded \$13,464,960 through Proposition 1D of which \$6,732,480 will be a grant and \$6,732,480 will be a long-term loan. Payments will commence on this loan approximately one year after occupancy of the project.

During the year ended June 30, 2012, YPI, a related party, received \$1,434,774 on behalf of Monsenor Oscar Romero Charter School for Proposition 1D funding. The School will request the funds from YPI as they are needed for Proposition 1D related expenditures. YPI will not function in this intermediary role with any subsequent funding for the project. The School has recorded debt related to this funding of \$704,139 and revenue of \$704,139. As of June 30, 2015, the School had incurred \$1,408,279 of Prop 1D expenses.



## **SUPPLEMENTARY INFORMATION**

**YPI CHARTER SCHOOLS, INC.**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
For the Year Ended June 30, 2015**

YPI Charter Schools, Inc. (the School) was established on November 17, 2003 and is a California non-profit public benefit corporation. The School operates two sites: Bert Corona Charter School and Monsenor Oscar Romero Charter School, approved by the Los Angeles Unified School District as follows:

Bert Corona Charter School (charter number 0654) – established in April 2004.

Monsenor Oscar Romero Charter School (charter number 0931) – established in May 2007.

YPI Valley Public Charter High (charter number 1724) – established in 2015, began serving students in August 2015.

The Board of Directors and the Administrators as of the year ended June 30, 2015 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Eugene Straub	President	February 2016
Joe Lucente	Treasurer	February 2016
Sandra Mendoza	Secretary	February 2016
Isaias Martinez	Member	February 2016
Alex Reza	Member	February 2016
Carlos Vaquerano	Member	February 2016
Mary Keipp	Member	February 2016

**ADMINISTRATORS**

Yvette King-Berg	Executive Director
Ruben Dueñas	Chief Operating Officer

**YPI CHARTER SCHOOLS, INC.**

**SCHEDULE OF INSTRUCTIONAL TIME  
For the Year Ended June 30, 2015**

	<b>Instructional Minutes</b>			Instructional Days	Status
	Requirement	Reduced	Actual		
<b>Bert Corona Charter</b>					
<b>School:</b>					
Grade 6	54,000	52,457	68,651	179	In compliance
Grade 7	54,000	52,457	65,681	179	In compliance
Grade 8	54,000	52,457	65,681	179	In compliance
<b>Monsenor Oscar Romero</b>					
<b>Charter School:</b>					
Grade 6	54,000	52,457	62,625	180	In compliance
Grade 7	54,000	52,457	62,625	180	In compliance
Grade 8	54,000	52,457	62,625	180	In compliance

*See auditor's report and the notes to the supplementary information.*



**YPI CHARTER SCHOOLS, INC.**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2015**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom</u>		<u>Classroom</u>	
	<u>Based</u>	<u>Total</u>	<u>Based</u>	<u>Total</u>
<b>Bert Corona Charter School:</b>				
Grade 6	119.64	119.64	119.75	119.75
Grades 7 through 8	<u>239.12</u>	<u>239.12</u>	<u>239.25</u>	<u>239.25</u>
Subtotal	<u>358.76</u>	<u>358.76</u>	<u>359.00</u>	<u>359.00</u>
<b>Monsenor Oscar Romero Charter School:</b>				
Grade 6	90.28	90.28	90.74	90.74
Grades 7 through 8	<u>211.40</u>	<u>211.40</u>	<u>210.95</u>	<u>210.95</u>
Subtotal	<u>301.68</u>	<u>301.68</u>	<u>301.69</u>	<u>301.69</u>
<b>ADA Totals</b>	<u>660.44</u>	<u>660.44</u>	<u>660.69</u>	<u>660.69</u>

*See auditor's report and the notes to the supplementary information.*

**YPI CHARTER SCHOOLS, INC.**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

There were no adjustments or reclassifications for the year ended June 30, 2015.

*See auditor's report and the notes to the supplementary information.*

**YPI CHARTER SCHOOLS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Bert Corona Charter School</u>	<u>Monseñor Oscar Romero Charter</u>	<u>YPI Valley Public Charter High School</u>	<u>Total Federal Expenditures</u>
<b><i>U.S. Department of Education:</i></b>						
Pass Through Program From						
California Department of Education:						
No Child Left Behind Act						
Title I, Part A	84.010	14981	\$ 131,919	\$ 148,303	\$ -	\$ 280,222
Title II, Part A, Teacher Quality	84.367	14341	2,073	2,146	-	4,219
Title III Limited English Proficient Student Program	84.365	14346	7,476	10,587	-	18,063
Title V, PCSGP	84.242	14941	-	-	51,622	51,622
San Fernando Valley Full Service Community Schools Program	84.215J	N/A	540,624	-	-	540,624
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	N/A	540,499	-	-	540,499
School Climate Transformation Grant	84.184G	N/A	27,858	-	-	27,858
Special Education	84.027	13379	68,265	57,404	-	125,669
<b><i>Total U.S Department of Education</i></b>			<u>1,318,714</u>	<u>218,440</u>	<u>51,622</u>	<u>1,588,776</u>
<b><i>U.S. Department of Agriculture:</i></b>						
Pass Through Program From						
California Department of Education:						
Child Nutrition Program Cluster:						
Especially Needy Breakfast Program	10.553	13526	108,183	102,227	-	210,410
National School Lunch Program	10.555	23165	161,322	150,982	-	312,304
Meal Supplements	10.557	N/A	22,469	11,350	-	33,819
<b><i>Total U.S Department of Agriculture</i></b>			<u>291,974</u>	<u>264,559</u>	<u>-</u>	<u>556,533</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,610,688</u>	<u>\$ 482,999</u>	<u>\$ 51,622</u>	<u>\$ 2,145,309</u>

N/A - Pass-through entity number not readily available or not applicable.

*See auditor's report and the notes to the supplementary information.*

**YPI CHARTER SCHOOLS, INC.****NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2015****NOTE 1: PURPOSE OF SCHEDULES****Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the corresponding provisions of the Education Code.

**Schedule of Average Daily Attendance**

Average daily attendance is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

**Reconciliation of Annual Financial Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

**Schedule of Expenditures of Federal Awards**

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the accrual basis of accounting.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
 IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
 YPI Charter Schools, Inc.  
 Pacoima, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of YPI Charter Schools, Inc. (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
November 30, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
 FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
 INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
 BY OMB CIRCULAR A-133**

Board of Directors  
 YPI Charter Schools, Inc.  
 Pacoima, CA

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of YPI Charter Schools, Inc. (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

**Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
November 30, 2015





## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors  
 YPI Charter Schools, Inc.  
 Pacoima, CA

We have audited YPI Charter Schools, Inc.’s (the School) compliance with the types of compliance requirements described in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2015. The School’s State compliance requirements are identified in the table below.

### Management’s Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

### Auditor’s Responsibility

Our responsibility is to express an opinion on the School’s compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School’s compliance.

### Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the School’s compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	No <sup>1</sup>
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes

## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

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<sup>1</sup>The School had no expenditures of California Clean Energy Jobs Act funding during the year ended June 30, 2015.

### **Opinion on State Compliance**

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

### **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP  
 Glendora, CA  
 November 30, 2015

**YPI CHARTER SCHOOLS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>None Reported</i>
Noncompliance material to financial statements noted?	<i>No</i>

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>None Reported</i>
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)?	<i>No</i>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.334A	Gaining Early Awareness and Readiness for Undergraduate Programs
10.555, 10.553 & 10.557	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<i>Yes</i>



**YPI CHARTER SCHOOLS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015**

All audit findings must be identified as one or more of the following twelve categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for June 30, 2015.



**YPI CHARTER SCHOOLS, INC.**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.



November 30, 2015

Board of Directors  
YPI Charter Schools, Inc.  
Pacoima, CA

We have audited the financial statements of YPI Charter Schools, Inc. (the School) for the year ended June 30, 2015, and have issued our reports thereon dated November 30, 2015, respectively. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 26, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies has not changed during the year ended June 30, 2015. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop estimates in determining that they are reasonable in relation to the financial statements taken as a whole. A schedule of the major accounting estimates is attached to this letter, see Exhibit A.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

2210 E. Route 66, Ste. 100, Glendora, CA 91740 ♦ Tel 626.857.7300 ♦ Fax 626.857.7302  
915 Wilshire Boulevard, Ste. 2250, Los Angeles, CA 90017 ♦ Tel 213.550.5422  
Email [INFO@VLSLLP.COM](mailto:INFO@VLSLLP.COM) ♦ Web [WWW.VLSLLP.COM](http://WWW.VLSLLP.COM)

Board of Directors  
YPI Charter Schools, Inc.  
Page 2

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 30, 2015.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Board of Directors  
YPI Charter Schools, Inc.  
Page 3

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We are not aware of other documents that contain the audited financial statements; if such documents are to be published, we have a responsibility to determine that such financial information is materially consistent with the audited statements of the School.

### **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the School.

This information is intended solely for the use of the Board of Directors, management and others within the School and is not intended to be and should not be used by anyone other than these specified parties.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA



**YPI Charter Schools, Inc.**

**Exhibit A**

*Summary of Significant Accounting Estimates*

Accounting estimates are an integral part of the preparation of the financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the School’s June 30, 2015 financial statements:

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management’s Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
Valuation of receivables	The School does not record an allowance for doubtful accounts.	Management believes receivables are collectible since most are from governmental units. However, management reviews individual receivable balances at year end to evaluate the appropriate allowance, if any.	We reviewed management’s estimate noting the method and assumptions were reasonable and in accordance with generally accepted accounting principles (GAAP) requirements.
Fixed assets and depreciation	The School depreciates fixed assets on a straight-line basis over the estimated useful lives of the assets.	Management reviews fixed asset listing and estimates useful life based on industry norms. Any impairment of fixed assets is identified on an annual basis.	We reviewed management’s estimate noting the method and assumptions were reasonable and in accordance with generally accepted accounting principles (GAAP) requirements.
Allocation of functional expenses	The costs of providing various programs and activities have been presented in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on management’s estimates.	Throughout the year management codes certain expenses as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.	We reviewed management’s estimate noting the method and assumptions were reasonable, consistent with prior years, and in accordance with applicable GAAP requirements.

# Coversheet

## YPICS 15-16 1st Interim

**Section:** V. Finance  
**Item:** E. YPICS 15-16 1st Interim  
**Purpose:** Vote  
**Submitted by:**  
**Related Material:** FY15.16 1st Interim Bert Corona (8054).xlsx  
FY15.16 1st Interim YPI Valley Public Ch(7598).xlsx  
FY15.16 1st Interim Monsenor Oscar(8196).xlsx

## Notice

The following file is attached to this PDF. You will need to open this packet in an application that supports attachments to pdf files, e.g. [Adobe Reader](#):

FY15.16 1st Interim Bert Corona (8054).xlsx

## Notice

The following file is attached to this PDF. You will need to open this packet in an application that supports attachments to pdf files, e.g. [Adobe Reader](#):

FY15.16 1st Interim YPI Valley Public Ch(7598).xlsx

## Notice

The following file is attached to this PDF. You will need to open this packet in an application that supports attachments to pdf files, e.g. [Adobe Reader](#):

FY15.16 1st Interim Monsenor Oscar(8196).xlsx

# Coversheet

## Prop 39 Update - MORCS and YPIVPCHS

**Section:** VII. Facilities  
**Item:** A. Prop 39 Update - MORCS and YPIVPCHS  
**Purpose:** FYI  
**Submitted by:**  
**Related Material:** YPIOSCAR 8196-2.pdf  
YPIVALLEY 7598.pdf



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
CHARTER SCHOOLS DIVISION**

333 South Beaudry Avenue, 20<sup>th</sup> Floor, Los Angeles, CA 90017  
Office: (213) 241-0399 ♦ Prop. 39: (213) 241-5130 ♦ Fax: (213) 241-2054

**RAMON C. CORTINES**  
*Superintendent of Schools*

**FRANCES GIPSON, PH.D.**  
*Chief Academic Officer  
Division of Instruction*

**JOSÉ COLE-GUTIÉRREZ**  
*Director, Charter Schools Division*

December 1, 2015

**VIA U.S. MAIL & E-MAIL**  
rduenas@coronacharter.org

Ruben Duenas, Chief Operations Officer  
Monsenor Oscar Romero Charter Middle  
1157 S Berendo St.  
Los Angeles, CA 90006

**RE: CHARTER SCHOOL'S ADA PROJECTIONS IN PROPOSITION 39 FACILITIES  
REQUEST**

Dear Charter School Operator:

Thank you for your commitment to serving the students of the Los Angeles Unified School District ("District"). We have thoroughly reviewed your facilities request.

Pursuant to California Code of Regulations, title 5, section 11969.9, subdivision (d), the District has reviewed Monsenor Oscar Romero Charter Middle's ("Charter School") average daily attendance ("ADA") projections in Charter School's Proposition 39 Facilities Request for the 2016-17 school year. The District has accepted Charter School's in-district classroom ADA projection for the 2016-17 fiscal year, as follows: 346.29.

Please submit all written communications to the District regarding the foregoing, including Charter School's response (if any) pursuant to California Code of Regulations, title 5, section 11969.9, subdivision (e), via e-mail only to: [prop39@lausd.net](mailto:prop39@lausd.net).

Sincerely,

José J. Cole-Gutiérrez  
Director

c: Sean Jernigan  
David Estrada



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
CHARTER SCHOOLS DIVISION**

333 South Beaudry Avenue, 20<sup>th</sup> Floor, Los Angeles, CA 90017  
Office: (213) 241-0399 ♦ Prop. 39: (213) 241-5130 ♦ Fax: (213) 241-2054

**RAMON C. CORTINES**  
*Superintendent of Schools*

**FRANCES GIPSON, PH.D.**  
*Chief Academic Officer  
Division of Instruction*

**JOSÉ COLE-GUTIÉRREZ**  
*Director, Charter Schools Division*

December 1, 2015

**VIA U.S. MAIL & E-MAIL**  
ykingberg@ypics.org

Yvette King-Berg, Executive Director  
YPI Valley Public Charter High  
9400 Remick Ave.  
Pacoima, CA 91331

**RE: CHARTER SCHOOL'S ADA PROJECTIONS IN PROPOSITION 39 FACILITIES  
REQUEST**

Dear Charter School Operator:

Thank you for your commitment to serving the students of the Los Angeles Unified School District ("District"). We have thoroughly reviewed your facilities request.

Pursuant to California Code of Regulations, title 5, section 11969.9, subdivision (d), the District has reviewed YPI Valley Public Charter High's ("Charter School") average daily attendance ("ADA") projections in Charter School's Proposition 39 Facilities Request for the 2016-17 school year. The District has accepted Charter School's in-district classroom ADA projection for the 2016-17 fiscal year, as follows: 171.95.

Please submit all written communications to the District regarding the foregoing, including Charter School's response (if any) pursuant to California Code of Regulations, title 5, section 11969.9, subdivision (e), via e-mail only to: [prop39@lausd.net](mailto:prop39@lausd.net).

Sincerely,

A handwritten signature in blue ink, appearing to read "Jose Cole-Gutierrez".

José J. Cole-Gutiérrez  
Director

c: Sean Jernigan  
David Estrada



# Coversheet

## Director of Operation's Report - BCCS

**Section:** VIII. Lead Administrator Reports  
**Item:** A. Director of Operation's Report - BCCS  
**Purpose:** FYI  
**Submitted by:** Diana Gamez  
**Related Material:** November Director of Operations BCCS 2015.docx

# Monseñor Oscar Romero and Bert Corona Charter Schools

**Date:** December 3, 2015

**Report Agenda Item:** Directors and Coordinators Reports

**Position:** Director of Operations

**School Site:** Bert Corona Charter School

**Purpose:** For Board Information

**Submitted by:** Diana Gamez

## Background:

The priorities for parent and community engagement understands student data and evaluation of service delivery, including impact on student achievement. Based on these priorities we continue to sustain and make changes to improve our parent engagement program for 2015-2016 school year. The Director of Operations with the parent and community engagement committee planned to include teachers, administrators and staff to be involved in all areas of implementing the parent engagement program. This month there was a clear understanding of the importance of how parent involvement impacts student achievement. At Bert Corona Charter we were able to provide learning opportunities for parents by providing a variety of parent workshops to inform parents of the challenges and obstacles middle school students encounter that could prevent student achievement. At Bert Corona Charter our teachers also offered academic workshops.

**The following is an overview of parent activities and workshops offered the month of November at BCCS:**

### *November*

#### *Padres Comprometidos*

**In this 9-week workshop series, parents discussed topics such as understanding the nature of adolescents, understanding the effects of positive communication and how to build positive self-esteem, how important parental involvement relates to a child's academic success, and how to prevent behaviors in students that have negative consequences. Thus far, parents have enjoyed learning from other parents' personal experiences and benefited from the school and community resources available to them.**

<b><i>11/3/15</i></b>	<b><i>50 Attended</i></b>
<b><i>11/10/15</i></b>	<b><i>51 Attended</i></b>
<b><i>11/17/15</i></b>	<b><i>54 Attended</i></b>
<b><i>11/24/15</i></b>	<b><i>53 Attended</i></b>

**Powerschool Class**

In this meeting, parents have an opportunity to meet with administration and teachers to ask questions on student's concerns and view grades online. This workshop was created and conducted by teachers. Parents are given the opportunity to learn how to navigate our online program that allows them to view their student grades and behavior. It is offered in the evening.

11/4/15                      *7 Attended*

**Coffee With The Directors**

In this meeting, parents have an opportunity to meet with administration over coffee and ask questions on student's concerns or campus concerns. All administration at Bert Corona is present and it is offered in the morning and evening.

11/5/15                      *21 Attended*

**Family Save**

This meeting is an opportunity for parents to become aware of how to save money to support their students to go to college and save early. In this meeting are even aware of how much the cost of tuition is now and will be in near future. This meeting is held in the morning and at the evening.

11/18/15                      *17 Attended*

**Accessing Internet Resources**

This workshop series involves using curriculum designed from our communication teacher for beginning students to advanced students. In this series, parents are being introduced to Mac computers and utilizing the Microsoft Word application as well as all resources available to there students and relevant to their core subjects in grade level students attend. All workshops were available in evening sessions at 5:30pm. These meetings were conducted by the Parent Committee, which is composed of 4 teachers, 3 parent coordinators, and 1 administrator. In every meeting a teacher conducted the presentation.

11/18/15                      *17 Attended*

**BCCS Service Day**

This event gave an opportunity for our community to participate in a service day filled with activities to beautify our campus. Activities included cleaning the garden and cleaning classes by our parents.

11/20/15                      *10 Attended Parents and Students*

# Coversheet

## Director of Operation's Report - MORCS

**Section:** VIII. Lead Administrator Reports  
**Item:** B. Director of Operation's Report - MORCS  
**Purpose:** FYI  
**Submitted by:**  
**Related Material:** MORCS DOO - Directors Report - Nov-Dec 2015.pdf

## ***DIRECTOR OF OPERATIONS REPORT***

**December 3, 2015**

*The mission of the YPI Charter Schools (YPICS) is to prepare students for academic success in high school, as well as post--secondary education; prepare students to be responsible and active participants in their community; and enable students to become life-long learners. Students at YPI Charter Schools will become active citizens who characterize the ideals of a diverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.*

### **Schools-to-Park Grant**

Berendo Middle School announced last week they received their schools-to-parks grant opening the school to the community on the weekends. This is exciting news for the school community and MORCS will share the news with our students and families. Hours and weekend programming will be forthcoming.

### **Berendo Middle School Improvement Project – Gymnasium**

Design review for the school improvement project is almost complete for the new gymnasium. Latest architectural designs have been reviewed by the team and working on being submitted to DSA for comments. A community meeting regarding the site plans is forthcoming.

### **MORCS Enrollment Update**

Our current enrollment stands at **332** students (as of December 3, 2015) currently enrolled with MORCS. This is down 2 students from the month of November. We will be enrolling two additional students this coming week whom have moved to the area. In the last couple of months, MORCS has lost families in and outside the district due to family relocation. In the 6<sup>th</sup> grade, we have **119** students enrolled followed by **102** in the 7<sup>th</sup> Grade. In the 8<sup>th</sup> grade, we have **111** students with a current average classroom size as follows:

- 6<sup>th</sup> – 30 (4 classrooms)
- 7<sup>th</sup> – 26 (4 classrooms)
- 8<sup>th</sup> – 28 (4 classrooms)

MORCS has began accepting new applications for the 2016-17 academic year.

### **Fall Parent Conferences**

Our Fall 2015 Parent Conferences were a huge success this past October with MORCS maintaining a **96** percent parent conference attendance. For the past three consecutive semesters, MORCS has had 96 percent attendance from our families during conferences. This would not be made possible with out our office staff and teachers working diligently to reach out to students and families about the importance of these conference meetings. It was a job well done by the entire team. We are looking forward to Spring 2016.

### **NWEA Maps Testing – B1**

We conducted our B1 benchmark assessments in the month of November. We saw growth in all

our cohorts and subgroups. Teachers reported changes in the testing schedule and communication helped with executing a smoothing testing period. Make up testing was performed by the School Culture and Climate team to ensure all testing was complete.

### **School Climate and Culture**

During the month of November, MORCS had an average daily attendance rate of **97.8** percent. Our highest attendance came in the 6<sup>th</sup> grade with 98 percent, followed by our 8<sup>th</sup> grade with 97.9 percent and 7<sup>th</sup> grade with 97.3 percent. In the month of October, we also had an attendance challenge and our 8<sup>th</sup> grade students were victorious with 98 percent attendance and received a non-uniform dress day as their reward.

In November, the boy's basketball team attended the USC vs. San Diego Men's basketball game at the Galen Center. For many of our students, it was their first time attending the Galen Center along with teacher chaperones. It was a great team-building experience as the boys begin their upcoming basketball season in January. We are currently working on sending the girl's basketball team to a USC or UCLA Women's basketball game in Dec-Jan.

During the month of November, we also hosted our annual Turkey Bowl tournament. Organized by Ms. Paredes (leadership advisor and 8<sup>th</sup> grade Science teacher) and our student leadership class, students teamed up in their grade level cohorts in a tournament styled event. Students dressed up representing their cohort college colors from the Cameron Craziest of Duke University to the Lumberjacks of Humboldt State. Students had an opportunity to participate in parachute volleyball, soccer, basketball, football, small games and obstacle course. It was a great way to lead into the Thanksgiving holiday break as teachers were able to build relationships with their students outside the classroom. The culminating event was a teacher-staff vs. student football game with the teachers continuing their reign on top, 21-0.

In the month of November we had 4 students who received in-school suspension for three separate incidents for a total of 7 days. The incidents included physical contact and a confrontation with staff. All students received Ripple Effects sessions during their in-school suspension.

# Coversheet

## Director of Instruction's Report - YPIVPCHS

**Section:** VIII. Lead Administrator Reports  
**Item:** C. Director of Instruction's Report - YPIVPCHS  
**Purpose:** FYI  
**Submitted by:**  
**Related Material:** Simonsen November Report.pdf



# BERTCORONA

## CHARTER HIGH SCHOOL

To: Yvette King Berg  
Re: November Monthly Report  
Date: November 30, 2015

### **Enrollment**

Our enrollment is now at 67 students. We have received both 9th and 10th graders as new students. New banners were made to articulate that our school is a 9 - 12 school to influence recruiting for second semester and next year.

### **Academics**

We spent significant instructional time and professional development time calibrating student performance to rubric indicators of proficiency. Our model is producing more authentic conversations about student learning. One of the challenges that arises out of an aligned academic program anchored in authentic assessment is successfully coaching students through academic adversity. Typical assessment practices allow students to cover up academic deficiencies with extra credit or last minute assignments that are treated as buffers against low grades. In an authentic assessment learning environment that is aligned and calibrated using standards-based rubrics, both educator and student must face together the moments when it becomes unavoidably apparent that skills and/or knowledge are missing, and intervention is necessary. As we are coming to the end of the first semester of operation of our high school, and the first official transcript grades will be published soon, we are trying to encourage our students that although they may find the acquisition of certain skills difficult, they can rest assured that the skills they are being graded on are truly theirs, and that their grades are indicative of specific levels of proficiency as described in the indicators of every rubric we write for them. In turn, those rubrics are anchored to the Common Core, NGSS, and CST descriptions of proficient student performance. Our teachers are using the time on Mondays for both November 30 and December 7 to conference with students in an effort to give them every opportunity to earn grades that best reflect their level of mastery in all learning outcomes.

Mr. Meyers shared with me that more than half of our students experienced a dip in either math or reading test scores on the second NWEA Maps periodic assessment. In speaking with the teachers, they suggested that the lack of incentives and push for performance (as was the custom at the middle school) was largely responsible for this dip. They noted specific examples of students whose performance in class on similar tasks is very high, and were perplexed by the outcomes. I am meeting with Mr. Meyers to discuss multiple measures and determine an explanation for the drop in scores.



## **Facilities**

The following improvements were made to our facilities this month:

- Access to Special Ed RSP Pull-Out Classroom on the Maclay Campus
- Full network installation and cut-over to YPICS Network (go Harvey and Ayala!)
- Access to the small kitchen attached to the covered eating area, so that our food (by 12/4).
- distribution programs will have hot-water access and food storage (by 12/4).
- A detailed plan and timeline for installation of security camera and phone at the main gate (to be completed over winter break).

We continue to wait on the following repairs and upgrades:

- Blinds for every room for lock-down safety and P.E. changing privacy.

## **Staffing**

Mr. Meyers and I have conducted 2 interviews for the Visual and Media Arts position that is being vacated by Ms. Redstone at the end of first semester.

We continue to search for the ideal candidate and have a third interview this week.

Mrs. Funk has introduced us to a new intern who will be working with us at the high school one full day per week for the second semester.

## **Logistics**

With the much anticipated access to the adjacent kitchen being finalized by the end of this week, the challenges to our food program regarding compliance to minimum facilities requirements should be resolved. These include appropriate tables and table height for storing and serving food, refrigeration for leftover food, and access to hot water.

Also, now that access to the RSP Pull Out space is being provided, Mr. Nutt and Mr. Rosas can begin to create a regular schedule of special ed services provision that is appropriate to the least restrictive environment needs of our most sheltered i.e.p plans. The only concern going forward with this development will be the consistent security of both campuses as we coexist in a manner that requires daily travel to and from the Maclay campus for a number of our students and staff.

## **College and Career**

Ms. Gonzales held a unit on dressing professionally and participating successfully in interviews. She went above and beyond the call of even the best teachers by recruiting other teachers, law enforcement officials, business leaders, and just about every adult she could convince to come to our campus and interview our students for jobs that are representative of those available in today's market. The students were highly motivated and wonderfully engaged in this process, and we all got a glimpse of what it will look and feel like to send our young people off to college when the time comes. It was an inspiring experience for everyone.

## **Technology**

Mr. Harvey and Mr. Ayala installed our YPICS Network this month. The online technology tools we now need to run a 21st century progressive high school are now more accessible to our team. The enrollment of our students' machines into a safer and more reliable network means they will no longer have to fight the indiscriminate LAUSD firewall that blocks all websites in its filter categories without rhyme or reason. Now both students and staff can do a more careful and intentional job of determining which resources are useful to them in the pursuit of new understanding and skill.

Mr. Dueñas and Ms. King Berg both interviewed me for the CTE grant that we are applying for starting in the 2016-2017 school year. We mapped out the resources needed to build our CTE Pathway, Media Art, through the 2018-19 school year, and fleshed out the actual course design and continuum.

## **Climate and Culture**

Mr. Rothenay and Mrs. Gonzalez continue to bring tons of life and school spirit to our little campus. The seemingly endless stream of spirit activities and themes in which we all participate is really keeping everyone's spirits boosted and encouraged as we do the hard work of getting ready for college.

Just in this one month, we participated in a Fear Factor assembly (yes, I sucked up real earthworms and beat Rothenay by 1 worm), held a food drive to assist needy families during the holidays, carved out time to watch the film "Bully" and discuss how to keep our campus free of harassment and intimidation, and ordered our first real SWAG (thanks, Rommel!!). As the first Fall of our school has been so strong in this area, it bodes well for the incoming 9th graders and for maintaining the sense of identity as a compassionate place where teens can keep it real.

Mr. Simonsen

# Coversheet

## Director of Technology's Report

**Section:** IX. Directors' Reports  
**Item:** A. Director of Technology's Report  
**Purpose:** FYI  
**Submitted by:**  
**Related Material:** 151130 Director of Technology Report.pdf



## ***DIRECTOR OF TECHNOLOGY'S REPORT***

**November 30th, 2015**

*The mission of the YPI Charter Schools (YPICS) is to prepare students for academic success in high school, as well as post-secondary education; prepare students to be responsible and active participants in their community; and enable students to become lifelong learners. Students at YPI Charter Schools will become active citizens who characterize the ideals of a diverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.*

### **Background:**

As requested, this is a summary of the major activities being performed as the Director of Technology, from October 19th 2015 through November 30th 2015, in support of three school sites, and the school wide priorities of academic achievement and instruction. These initiatives fall under seven areas: Network Infrastructure, Server Infrastructure, Student Information Systems, Hardware Support, Instructional Technology, Programming and Strategic Planning.

### **14-15 Summary**

#### **1. Network Infrastructure:**

- a. High school and central office fiber installation.** The high school installation has been completed. The network is logically separated from Maclay MS, and all traffic is running through the BCCS firewall and router. The transition between networks was fairly painless, as the student Chromebooks automatically moved to the new wifi network thanks to the Chrome management console, and the Macs migrated with the help of the Casper mobile device management server and the on site technology. The central office circuit should be complete and ready for use any day now, depending on access to the construction site.

#### **2. Server Infrastructure:**

- a. Migration to Amazon Web Services.** As a test, we have successfully migrated the Casper mobile device management server to an AWS cloud instance as well as a virtualized database. Virtualization allowed us to upgrade to the latest version without service interruption, the database is automatically backed up, and the server instance has a snapshot for rapid recovery. At this point, the cost is

negligible (under a one dollar for October), but will likely increase to upwards of \$50 a month as we migrate additional services to the cloud, which has the advantages of automated backup, availability monitoring, snapshots and network level security.

- b. **Google Analytics.** There is an issue where the Analytics plugin has been turned off in error on some of the websites, so our hit data is incomplete. I will be coordinating with Mr. Ruiz to identify the issue. We have partial data for the last 30 days:

i.	bccs	716
ii.	morcs	62 (11/19)
iii.	ypics	(no tracking reported)
iv.	bchs/ypivpchs	(no tracking reported)
v.	leadership.bccs	90
vi.	pd.ypics	152
vii.	Mr. Munavu	162
viii.	Mr. Rubin	435
ix.	Mr. Takeyama	475
x.	Ms. Camarillo	207
xi.	Ms. Contreras	146
xii.	Ms. Liz Garcia	210
xiii.	Ms. Kohn	245
xiv.	Ms. LeComte	489
xv.	Ms. Yefet	283

### 3. Student Information Systems:

- a. **Illuminate.** The technical aspects of the Illuminate implementation have been completed, we are awaiting the data training mtg.

### 4. Hardware Support:

- a. **Asset tagging.** This project is under way, we expect to complete this project by the end of the calendar year.
- b. **Laptop support.** We are continuing to upgrade 45 refurbished Macbooks and iMacs at MORCS to upgrade them to a modern operating system. We are in the process of replacing the internal batteries on 20 Macbooks.
- c. **Help desk.** We have handled 137 help desk tickets from October 19th through November 30th 2015, which is an average of approximately 4.9 tickets a day, There are 38 open tickets remaining. The ticket categories break down as follows:

<b>Category</b>	<b>Tickets</b>	<b>Open</b>	<b>Resolved</b>
<i>Workstations</i>	24	3	21
<i>Laptops</i>	35	3	31
<i>Instructional Tech</i>			
<i>- Aleks, SI, etc</i>	14	4	12
<i>Facilities</i>	12	4	8
<i>Phone</i>	8	0	8
<i>Network Services</i>			
<i>(accounts, email, etc)</i>	8	0	8
<i>Powerschool &amp; Records</i>	10	1	9
<i>Printing</i>	12	3	9
<i>Branding &amp; Graphics</i>	2	2	0
<i>Network Infrastructure</i>	7	1	6
<i>Handheld Devices</i>	5	1	4
<b>Totals</b>	<b>137</b>	<b>21</b>	<b>116</b>

**5. Instructional Technology:** No time was allocated to programming projects.

**6. Programming:** No time was allocated to programming projects.

**7. Strategic Planning.**No time was allocated to programming projects.

# Coversheet

## Director of Marketing's Report

**Section:** IX. Directors' Reports  
**Item:** B. Director of Marketing's Report  
**Purpose:** FYI  
**Submitted by:** Rommel Ruiz  
**Related Material:** MarketingDirectors\_Report\_November2015.pdf

RECOMMENDATION:  
FYI



## **MARKETING DIRECTOR'S REPORT**

**November 30th, 2015 / Los Angeles, CA**

*YPICS is a Southern California based charter management organization formed by educational leaders whose passions are to teach and empower.*

*YPICS promise is to provide authentic learning experiences to our citizen scholars, so they seize and create opportunities in their communities.*

*YPICS mission is to prepare citizen-scholars to be leaders and innovators who will serve their communities.*

*Students at YPI Charter Schools will become active citizens who characterize the ideals of a diverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.*

### **Background and Overview**

This is a summary of the major projects being performed as the Director of Marketing, from October 20<sup>th</sup> through November 24<sup>th</sup> 2015.

### **November 2015**

- MORCS / BCCS sites (text / content revision)
- Updated covers for binders.
- Replacement of copies and ordering of two new banners for the HS.
- School's Mascot's Designs for the athletic departments of each school (proposal stage)
- Design and production of marketing material for our Winter Social Event

### **December 2015 - Current**

- Defining brand strategy and branding for BCCS and BCHS
- Developing an "apprenticeship program" based on our hallmarks in collaboration with the Director of Academic Achievement.

This includes:

- To generate creative solutions that would help to maximize the impact and functionality of YPICS hallmarks through out the organization.
- To produce, design and brand all materials.



- Content development for the HS website: In collaboration with Mr. Simonsen we are currently working on creating content for the High School's website. (In progress)
- Parent Handbook (Update)
- Schools' websites management
- Designing BCHS Football team logo

## Definitions

### *Brand Management*

- **Brand strategy development:** Creating brand value and reputation by developing a yearly plan that conveys and delivers the brand essence, which is *"To prepare citizen-scholars to be leaders and innovators who will serve their communities"*.
- **Defining brand strategy:** A brand to succeed must align its business strategy (what it is the brand does to make money) and brand essence (the mission). A brand strategy is the plan you develop to convey your brand...
- **Review brand performance by using specifics metrics like:** Customer perceptions (Parents, Students, Partners and Others), Competitive marketplace data, Touchpoint performance, Opportunities for differentiation and Market share.
- **Professional Development:** Assisting the Director of Academic Achievement by surveying and training teachers to improve brand performance.
- **Networking:** Connecting with similar organizations, social programs and schools with the purpose of strengthening the YPICS brand by creating a stronger community.
- **Communication Systems:** To write policies on communications methods, processes, goals, etc. Drive internal communications practices (3n, email, etc)

### *Creative Direction*

- **Branding:** Designing, guidelines and managements of all brand identity systems (stationary, print media, websites, social media, etc.)
- **Visual Assets Development:** Direction of photoshoots, films, animations and illustrations.
- **Collateral Design:** Creation of a variety of design pieces for all media.
- **Documentation:** Creation and design of manual and booklets to document philosophy, training, processes and protocols of the organization.

- **Website Maintenance:** Daily websites' maintenance, implementation of new functionalities and technologies, blog postings, etc.
- **Product Design:** Ideation and design of in-house produced booklets, materials, programs, digital applications, etc.
- **Uniform Guidelines:** Collaborating with the Director of Operations to create official guidelines for school uniforms, designing artwork for official school clothing, etc.
- **Campaigns:** Creating marketing campaigns to sale our main offer, define and drive marketing in all media (includes social media), coordinate development of communication materials (catalogs, brochures, website, local displays & signage), etc.
- **Facilities Signage Systems:** Classroom design and layout, door signs, directional, etc.

# Coversheet

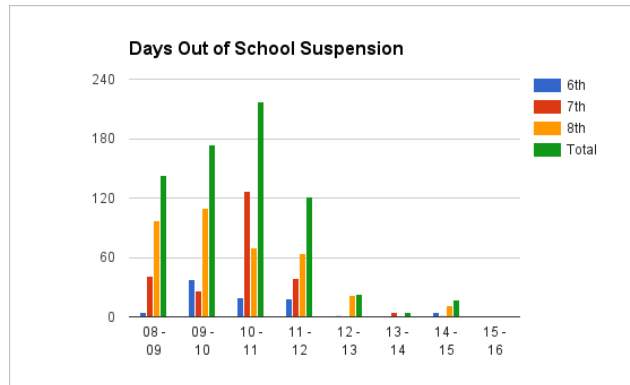
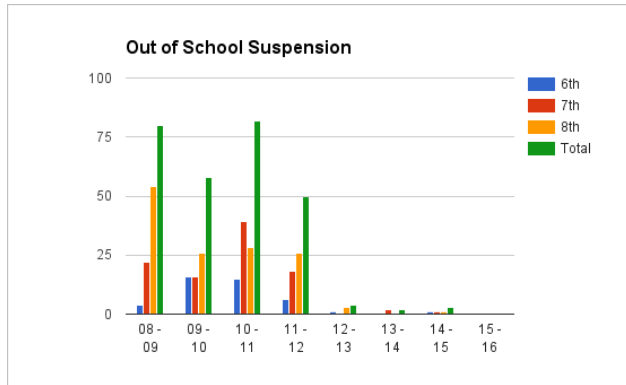
## Director of School Culture and Climate's Report

**Section:** IX. Directors' Reports  
**Item:** C. Director of School Culture and Climate's Report  
**Purpose:** FYI  
**Submitted by:**  
**Related Material:** 15-16 F15 Discipline Report.pdf  
15-16 F15 Attendance Report.pdf  
BCCS SCC Directors Report - Nov 2015.docx

## BCCS Discipline Tracker

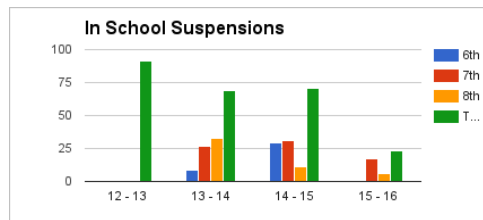
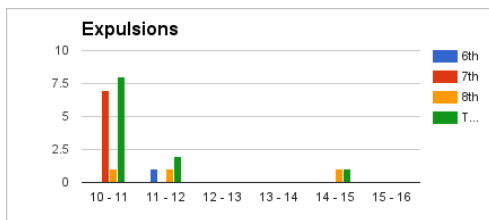
Out of School Suspension				
	6th	7th	8th	Total
08 - 09	4	22	54	80
09 - 10	16	16	26	58
10 - 11	15	39	28	82
11 - 12	6	18	26	50
12 - 13	1	0	3	4
13 - 14	0	2	0	2
14 - 15	1	1	1	3
15 - 16	0	0	0	0

Days OSS				
	6th	7th	8th	Total
08 - 09	5	41	97	143
09 - 10	38	26	110	174
10 - 11	20	127	70	217
11 - 12	18	39	64	121
12 - 13	1	0	22	23
13 - 14	0	5	0	5
14 - 15	5	1	11	17
15 - 16	0	0	0	0



Expulsions				
	6th	7th	8th	Total
10 - 11	0	7	1	8
11 - 12	1	0	1	2
12 - 13	0	0	0	0
13 - 14	0	0	0	0
14 - 15	0	0	1	1
15 - 16	0	0	0	0

In School Suspensions				
	6th	7th	8th	Total
12 - 13	NA	NA	NA	91
13 - 14	9	27	33	69
14 - 15	29	31	11	71
15 - 16	0	17	6	23



15/16 Discipline				
	6th	7th	8th	Total
Make-up Time	29	119	119	267
Community Service	0	9	0	9
In School Suspension	0	17	6	23
Out of School Suspension	0	0	0	0
Expulsion	0	0	0	0

299

15/16 Discipline Data					
Reason	Code	6th	7th	8th	Total
Sexual Harrassment/Assault	13, 18, 40, 51	1	0	0	1
Fighting, Aggression, Harassed, Threat	1, 14, 19, 24, 26, 27	1	17	4	22
Weapon, Dangerous Item	2, 15, 22, 23, 28, 29	0	0	0	0
Narcotics, Controlled/Substitute Substance, Paraphenilia	3, 4, 10, 16, 17, 30	0	0	0	0
Robbery, Extortion	5	0	0	0	0
Theft	7, 12	0	1	1	2
Defiance, Disruption	11, 20, 35, 39, 41, 44, 46, 47, 49, 50, 52, 54, 56, 57, 58, 59	8	56	25	89
Gang Affiliation/Paraphenilia	60	0	0	0	0
Tardy	36, 42, 43	13	34	20	67
Dress Code Violation	34	0	19	22	41
Ditching	38, 48, 55	0	1	0	1
Nonsafety Related Contraband	33	0	6	22	28
Bullying	31, 32, 37, 53	3	1	0	4
Assault/Battery of Employee	21	0	0	0	0

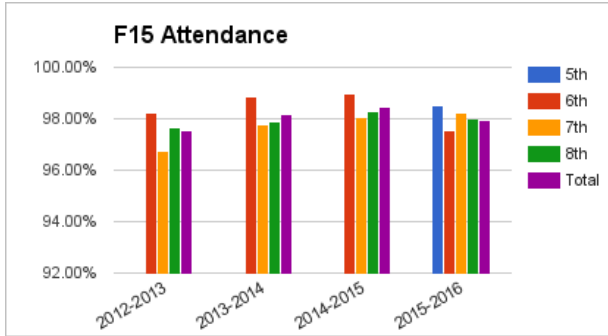
## BCCS Discipline Tracker

Vulgarity, Profanity	9, 45	1	1	2	4
Damaged Property	6	0	0	0	0
Nicotine Product, Paraphelilia	8	0	0	0	0
Hate Violence	25	0	0	0	0

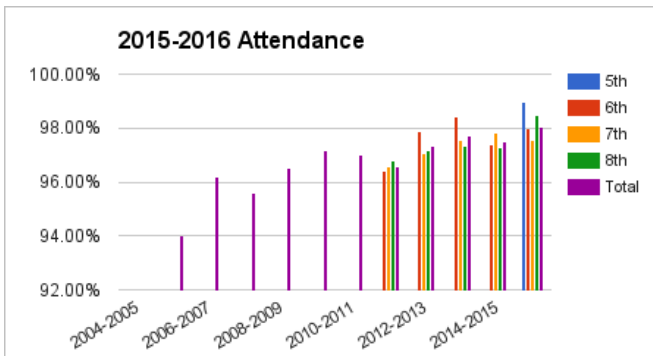
## Attendance Percentages

### 2015-2016 Attendance Report

	F15				
	5th	6th	7th	8th	Total
2012-2013		98.24%	96.77%	97.67%	97.53%
2013-2014		98.88%	97.78%	97.90%	98.18%
2014-2015		99.00%	98.05%	98.27%	98.44%
2015-2016	98.50%	97.53%	98.25%	97.98%	97.96%



	2015-2016 Attendance				
	5th	6th	7th	8th	Total
2004-2005					
2005-2006					94.01%
2006-2007					96.18%
2007-2008					95.58%
2008-2009					96.49%
2009-2010					97.17%
2010-2011					96.98%
2011-2012		96.43%	96.56%	96.78%	96.58%
2012-2013		97.88%	97.06%	97.17%	97.36%
2013-2014		98.41%	97.54%	97.31%	97.74%
2014-2015		97.37%	97.80%	97.27%	97.48%
2015-2016	98.99%	97.99%	97.53%	98.47%	98.05%



During the F15 grading period, BCCS met it's goals for 5th and 8th grade. Current enrollment is at 372 students, and we are in the process of filling the remaining spots with students on our wait list. 5th grade has an enrollment of 22, 6th grade has an enrollment of 114, 7th grade has an enrollment of 119, and 8th grade has an enrollment of 117. Additionally, Bert Corona Charter School held its annual perfect attendance and honors assembly on 11/2 in which the 8th grade class (due to their highest attendance percentage for the month of October) through whipped pies at participating adults.

### 2015-2016 Tardy Report

	F05	F10	F15	F20	S05	S10	S15	S20
Attendance Population								
Tardies								
Days Counted								
Ave. Tardies per Day	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
% of Student Population Tardy								

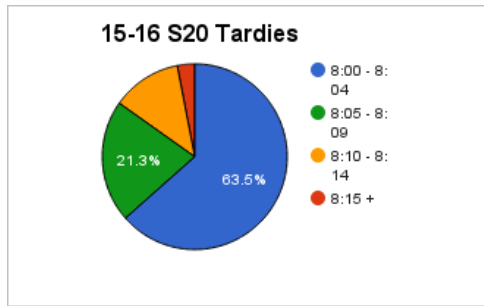
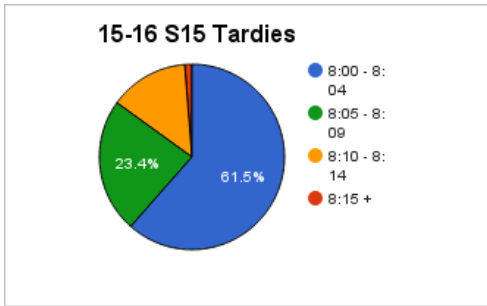
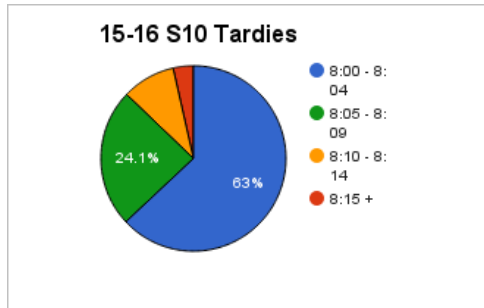
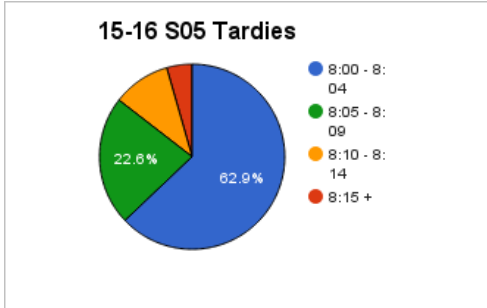
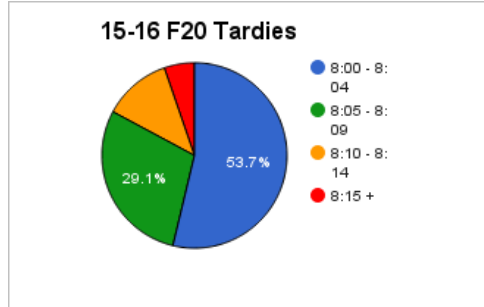
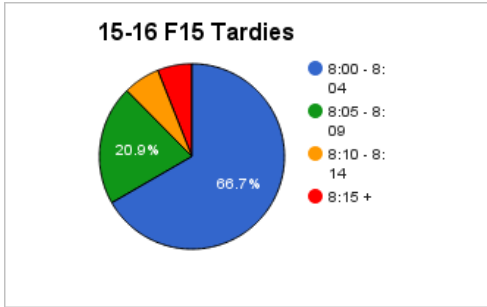
Semester 1	Semester 2	2015-2016
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	F05	%	F10	%	F15	%	F20	%	S05	%	S10	%	S15	%	S20	%
8:00 - 8:04																
8:05 - 8:09																
8:10 - 8:14																
8:15 +																

15-16 F05 Tardies

15-16 F10 Tardies

### Attendance Percentages





## ***BCCS DIRECTOR'S REPORT***

**November 24, 2015**

*The mission of the YPI Charter Schools (YPICS) is to prepare students for academic success in high school, as well as post-secondary education; prepare students to be responsible and active participants in their community; and enable students to become life-long learners. Students at YPI Charter Schools will become active citizens who characterize the ideals of a diverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.*

### **Student Culture and Climate:**

Creating a positive learning environment is critical to the success of any school. This has been a focus for the Bert Corona Charter School community for the past several years. In creating this positive learning environment, we are continuously looking at how to decrease suspensions, increase attendance, increase student activities and increase student and staff morale. The following discipline and attendance data depicts this focus; additionally, the decrease in suspensions and increase in student attendance has had a positive impact on the schools academic growth.

Additionally, as part of creating a positive learning environment for the students, the leadership class, school administration and the school culture and climate committee continuously plans and organizes school events. Over the past few months, the school has held several assemblies, many of which included motivational speakers, and taken field trips to a SPARKS game, UCLA football game, UC Riverside and an anti bullying awareness movie. We will be taking several students to the California Science Center on 12/12. The Science Center field trip will be based on our November Reading Month and will award our top readers with the field trip. Additionally, the school held its annual perfect attendance and honors assembly on 11/2 in which a random selection of 8<sup>th</sup> grade students through whipped pies at participating staff members. The 8<sup>th</sup> grade class won with an attendance percentage of 98.42% for the month of October.



**Yvette King-Berg** Executive Director **Ruben Dueñas** Chief Operations Officer  
**Diana Gámez** Senior Director of Programs **Kevin Myers** Director of Academic Achievement  
**Vashon Nutt** Director of Special Education **Charles Harvey** Director of Technology  
**Rommel Ruiz** Brand Director

**YPICS | YPI Charter Schools**  
 9400 Remick Ave. Pacoima, CA 91331  
 Office: (818) 834.5805 / Fax: 818.834.8075

info@ypics.org / www.ypics.org





### Discipline Data:

2015-2016 Expulsions: 0 Incidents (as of 11/23/15)  
 2014-2015 Expulsions: 1 Incident  
 2013-2014 Expulsions: 0 Incidents  
 2012-2013 Expulsions: 0 Incidents  
 2011-2012 Expulsions: 2 Incidents  
 2010-2011 Expulsions: 7 Incidents

2015-2016 Suspensions: 0 Incidents (as of 11/23/15)  
 2014-2015 Suspensions: 3 Incidents  
 2013-2014 Suspensions: 2 Incidents  
 2012-2013 Suspensions: 4 Incidents  
 2011-2012 Suspensions: 45 Incidents  
 2010-2011 Suspensions: 82 Incidents

2015-2016 Suspension Days: 0 Days (as of 11/23/15)  
 2014-2015 Suspension Days: 17 Days  
 2013-2014 Suspension Days: 5 Days  
 2012-2013 Suspension Days: 23 Days  
 2011-2012 Suspension Days: 121 Days  
 2010-2011 Suspension Days: 217 Days

### Counseling/Social Skills Development:

As part of our ongoing push for improved school culture and climate, it is important that we remain proactive in helping students in crisis. Students come to Bert Corona Charter School from a variety of backgrounds and from very different living situations. Therefore, it is imperative that we as a school are proactive about supporting these students and putting the necessary supports in place to support them. During the 13-14 school year, Bert Corona Charter School implemented the social skills pilot program, which introduced students to a social skills development computer based program. Due to the success of this pilot program, Bert Corona Charter School fully integrated the Social Skills Department into the School Culture and Climate Department during the 14-15 school year. This new program currently includes one split campus Coordinator of School Skills Development and three part time college interns.

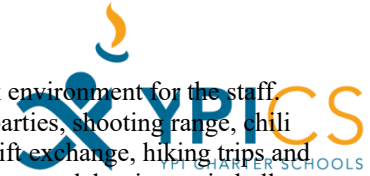
Additionally, students struggling with personal challenges are offered various in house counseling either from PUC counseling services, or from Our House Grief Counseling. Bert Corona Charter School also utilizes several outside counseling agencies included, but not limited to, GRYD, El Nido, Pacific Lodge Youth Services, Narconon and Phoenix House.

### Staff Culture and Climate:

**Yvette King-Berg** Executive Director **Ruben Dueñas** Chief Operations Officer  
**Diana Gámez** Senior Director of Programs **Kevin Myers** Director of Academic Achievement  
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Maintaining a positive learning for our students also involves creating a positive work environment for the staff. Staff events for the 14-15 school year have included YPICS Dodger night, breakfast parties, shooting range, chili cook off, staff gotcha, YPICS paintball, turkey bowl, staff spelling bee, secret Santa gift exchange, hiking trips and employee appreciate day. Upcoming events for the 2015-2016 school year include, winter celebration, paintball, secret Santa gift exchange, Turkey Bowl, broom ball, Karaoke night, hiking trips, running events, movie nights, grading parties, breakfast potlucks, administrative professionals day, teacher appreciation day and spring POP day. All of these events are geared at creating a positive workplace environment where the staff can feel appreciated and valued. During the 15-16 school year, we have already had a bowling night, Dodgers night, chili cook-off, our annual staff GOTCHA game and our 3<sup>rd</sup> annual paintball event.



## Facilities

Over the summer, the school had made significant improvements to the school grounds. Some of these improvements have included repairs to the skirting of the student restrooms and rooms 10, 11, 12 and 13, improved electrical wiring in room 15, landscaping improvements to the literacy garden, and additional lighting to the field and staff parking lot. These repairs are meant to create a safer and more positive learning environment for all students staff and parents.

Additionally, we recently finished replacing the roofs on rooms 8, 9, 12, 13, 14 and 15, and are seeking to replace all HVAC units in the coming months. The replacement of these HVAC units will be a part of the energy saving funds we have received, and will seek to cut back on the total cost of our electrical bill.

The school has also recently hired David Savedra who comes to Bert Corona Charter School with over a decade of experience working with school facilities. David has already done an amazing job keeping the school grounds in pristine condition and is currently supporting to improve the school grounds as well. We welcome David to our family and are excited for what he can bring to our organization.

**Yvette King-Berg** Executive Director **Ruben Dueñas** Chief Operations Officer  
**Diana Gámez** Senior Director of Programs **Kevin Myers** Director of Academic Achievement  
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# Coversheet

## COO's October 2015 Report

**Section:** X. Chief Operations Officer's Report  
**Item:** A. COO's October 2015 Report  
**Purpose:** FYI  
**Submitted by:** Ruben Duenas  
**Related Material:** 1 COO report 12-7-15.docx  
8 Bungalow Removal Agreement 11.20.15.docx  
6 Lease Exhibit A3.pdf  
7 Lease Exhibit E - Pro-Rata Calculation revised 11.25.15.pdf  
4 Clean version - Lease and Joint Use Agreement MORCS 12.1.15.docx  
2 Clean Version Development Agr MORCS (12.1.15).docx  
9 Portable Removal Site Plan 11.20.15.pptx  
5 Lease -Exhibit A1 & A2 12.1.15.pdf  
3 Dev Agreement Exhibit A1 & A2 revised 11.20.15.pdf

**BACKGROUND:**

informational- Numbers in front of document are for reading order



## **CHIEF OPERATIONS OFFICER REPORT**

### **December 7, 2015**

*The mission of the YPI Charter Schools (YPICS) is to prepare students for academic success in high school, as well as post--secondary education; prepare students to be responsible and active participants in their community; and enable students to become life-long learners. Students at YPI Charter Schools will become active citizens who characterize the ideals of a diverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.*

### **Construction Projects**

#### Central Office

The landlord has been able to pull 4 of 6 permits from the City of Los Angeles. All of the plans have been submitted. The contractor is waiting for the city to review the final plans. The “hopeful” completion date will be mid-January

#### Berendo Gym

The final design has been reviewed and approved. The two-story gym will be located on the existing handball courts. The main entrance to the gym will be on the second floor from a new patio area that is located where the MORCS 6<sup>th</sup> and 7<sup>th</sup> grade bungalows are/were. The design takes advantage of the height of the campus and provides a view of the city from a balcony/walking path and the patio area. The document will be available for review at the board meeting on December 7, 2015

#### MORCS

The LAUSD Facilities Division has provided and revised documents for the MORCS construction project. Staff, PCSD, and attorneys are reviewing the following documents:

1. Development agreement with exhibit A1 & A2
2. Lease agreement and joint use agreement
3. Portable removal estimates

#### *Lease Agreement and Joint Use Agreement*

In the revised lease agreement, the District proposes a \$184,000 yearly maintenance fee. MORCS would provide its own IT, custodial and utilities. The District would provide regular maintenance, pest control and inspections. After three years, MORCS would have the option to provide its own regular maintenance.

#### *Portable Removal Estimates*

The Facilities Division is revising the demolition portion to reflect a more reasonable cost. We have requested backup for the other proposed costs. Though the cost is probably slightly higher for the District to do the disconnects and removal, PCSD thinks it is the most efficient and straightforward way to get the portables removed in time for our construction activities.

## School Climate and Culture (Climate Transformation Grant)

The schools involved in the grant will be adopting SWIS as a school data system for the grant. Staff has been trained by our technical assistance provider on how to implement the software and is evaluating school readiness to start with the program. The program will support data collection for the grant objectives and data driven decision-making.

The SWIS Suite is a reliable, confidential, web-based information system to collect, summarize, and use student behavior data for decision making. Research tells us educators can make more effective and efficient decisions when they have the right data in the right form at the right time. SWIS provides school personnel with the information they need to be successful decision makers.

For more than a decade, SWIS Suite has assisted teams to improve their internal decision making and overall support plan design for individual students and their families. The three SWIS applications, SWIS, CICO-SWIS, and ISIS-SWIS, align with a PBIS framework and provide the needed data for both universal screening as well as progress monitoring.

Through SWIS, school staff enter office discipline referrals online. The data are summarized to provide information about individual students, groups of students, or the entire student body over any time period.

The reports available within SWIS allow teams to:

1. **Review school-wide referral patterns:** The five basic reports in SWIS frame the context within which problem behaviors occur at school helping teams to answer these questions:
  1. How often do referrals occur?
  2. What problem behaviors occur most frequently in our building?
  3. Where are problem behaviors most likely to occur?
  4. When are problem behaviors most likely to occur?
  5. Which students are involved in referrals?
2. **Define behavior patterns in greater detail:** Eight other reports allow teams to dive into the data, getting more detailed information about specific questions related to the overall school-wide patterns. Using these reports, teams can look at disproportionality by ethnicity, detailed information about individual students' referral patterns and year-end reports to guide action planning for the upcoming school year.

**Monsenor Oscar Romero Charter School Project  
Portable Removals**

**The following buildings will be removed by LAUSD (see attached site plan):**

- A15834, A16336, A16428, A4254, A10405, A13356, A42480 and restroom building

**The Scope of Work to be performed by LAUSD includes:**

- Prepare bungalows for removal
  - o Utility disconnects
  - o Fire Alarm and Low Voltage Equipment Removal
  - o Disconnect low voltage systems (PA, Internet, Bells, Intrusion and Communication)
  - o HVAC Guard Removal (if applicable)
  - o Temporary Fencing
- Portable Removals
  - o Lead and Asbestos Abatement
  - o Demolition of 7 portable classroom buildings
  - o Relocation of Restroom Building (Cost to remove will be paid by LAUSD)
- Refurbishing site after bungalow removal
  - o Terminate utility conduits and cap 3" below grade
  - o Disconnect and reconfigure the fire alarm system. This will require the need to recertify the system by a LAUSD approved vendor once the system has been reconfigured.
  - o Remove, replace and seal any damage to the asphalt created by the installation or removal of the bungalows
- Management and Coordination of all items above would be conducted by the LAUSD Facilities - Relocatable Housing Unit.

**COST**

The total estimated cost of the work is \$380,000. This amount is an estimate. The project funds will only be expended for actual expenses. In the event the actual costs exceed the estimates, the funding for the removals will need to be increased accordingly.

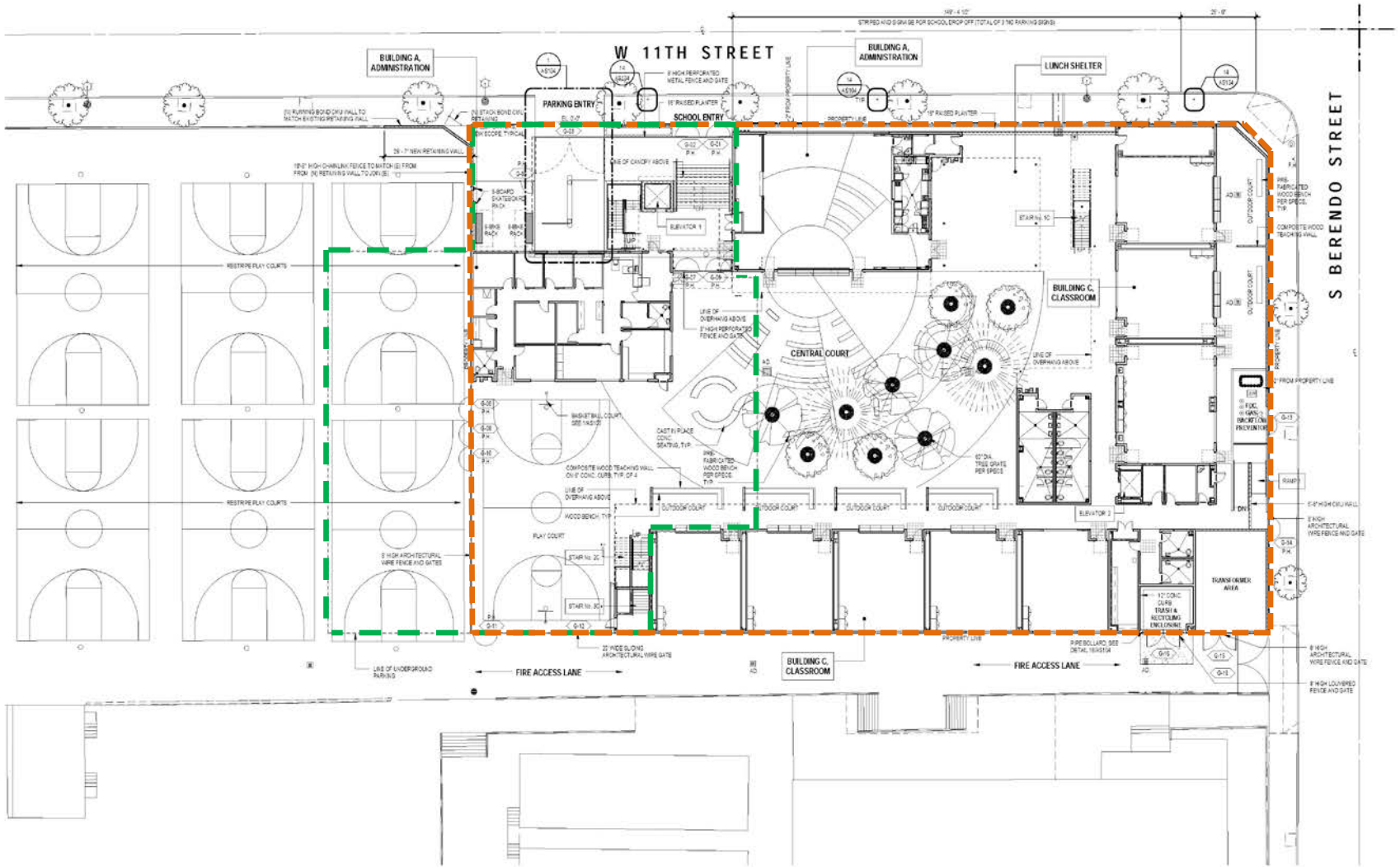
(Disconnections - \$140,000, Abatement/Demolition and Site Paving - \$210,000, RHU Management - \$30,000)

**Schedule** – LAUSD can begin the disconnections asap. The abatement and demolition is anticipated to be completed by August 15, 2016.

**Funding** – The cost to disconnect and remove the bungalows will be funded by the MORCS Charter Augmentation Grant.

Agreed and Accepted By: \_\_\_\_\_

Date: \_\_\_\_\_



Subsurface lease area



Ground lease area

**Exhibit E**  
**Facilities Costs**  
**Pro Rata Share Calculation**

LAUSD Campus: Berendo Middle School

Charter School: MORCS

THIS IS A SAMPLE CALCULATION ONLY AND ACTUAL BILL WILL BE BASED ON ACTUAL SF AND FACILITIES COSTS AT THE TIME OF OCCUPANCY

**Exclusive Space Square Footage**

Building A - Admin Area	2,908
Building A - Sub-surface Parking Garage	17,393
Building B - MPR Building	3,245
Building C - Classroom Building	21,342
<b>Total Charter School Exclusive Use Square Footage of Enclosed Building Area = A</b>	<b>44,888</b>

**Shared Space Calculation**

M =	Total Square Footage of Charter Exclusive Use Space	44,888
N =	Total Square Footage of LAUSD Exclusive Use Space	123,375
% of Shared Use Space = $\frac{\text{Total SF of Charter Exclusive Use Space (M)}}{\text{Total SF of All Charter and LAUSD Exclusive Use SF (M + N)}}$		% = 0.27

**Pro Rata Share Calculations**

A =	44,888	A = Charter School Exclusive Use Square Footage
B =	4,087	B = Total Charter School Shared Use Space Building Square Footage Obligation <sup>1</sup>
C =	39,144	C = Total Charter School Shared Use Space Outdoor Play Area Square Footage Obligation
D =	\$3.48	D = 2015-2016 Facilities Costs per Building Square Foot less Custodial (building), Utilities & IT. <sup>2</sup>
E =	\$0.00	E = 2015-16 Outdoor Play Area Costs per Land Square Foot <sup>3</sup>
F =	\$6.96	F = 2015-16 Shared Facilities Cost per Building Square Foot

W = A * D	\$156,210	W = Charter School Exclusive Use Pro Rata Share Amount
X = B * F	\$ 28,445	X = Charter School Shared Building Use Pro Rata Share Amount
Y = C * E	-	Y = Charter School Shared Outdoor Play Space Use Pro Rata Share Amount

**Z = W+X+Y \$ 184,655 Z = TOTAL PRO RATA SHARE CHARGE DUE ANNUALLY FROM CHARTER SCHOOL**

(1) Based on MORCS indication they will request shared use of the existing Berendo MS Gymnasium. Subject to change in the future  
 (2) Facilities Cost are re-calculated on a yearly basis.  
 (3) At this time LAUSD is not calculating Outdoor Play Space costs. Subject to change in future.



Exhibit E

Facilities Costs

Pro Rata Share Calculation

**SHARED USE BUILDING SPACE CALCULATION**

**BUILDING AREA**

<u>Area, per Exhibit A (Shared Use Agreement)</u>	<u>Area Square Footage</u>	<u>Charter %<sup>1</sup></u>	<u>Charter School Pro-Rata Share</u>
Gymnasium	15,320	27%	4,087
Auditorium	10,154	0%	-
Total Charter School Shared Use Space Building Square Footage Obligation			4,087

**SHARED USE OUTDOOR PLAY SPACE CALCULATION**

**OUTDOOR PLAY AREA**

<u>Area, per Exhibit A (Shared Use Agreement)</u>	<u>Area Square Footage</u>	<u>Charter %*</u>	<u>Charter School Pro-Rata Share</u>
Soccer/Track Area	60,981	27%	16,268
Basketball Area	29,558	27%	7,885
Volleyball Area	28,744	27%	7,668
Handball/Basketball Area	27,447	27%	7,322
Total Charter School Shared Use Space Building Square Footage Obligation			39,144

(1) Based on MORCS indication they will request shared use of the Berendo MS Gymnasium . Subject to change in future.

### Exhibit E (continued)

#### LAUSD Facilities Cost Worksheet for 2015-2016 School Year

NOTES*	DESCRIPTION	TOTAL COSTS	COST PER SQUARE FOOT	TOTAL COST PER CATEGORY
(1)	<b>Debt Service- interest and principal on COPS</b>	\$36,168,706.37	\$0.50	<b>\$0.50</b>
	<b>Maintenance &amp; Operations</b>			<b>\$4.97</b>
(1) (2)	Air Filter Tech and Building Engineering	\$3,826,377.00	\$0.05	
(1) (2)	Pest Management	\$3,354,045.00	\$0.05	
(1) (2)	Custodial (Buildings)	\$129,418,888.00	\$1.78	
(1) (3)	Rubbish Removal	\$5,968,639.53	\$0.08	
(1) (2)	Routine Repairs General Maintenance (RRGM)	\$110,041,213.00	\$1.51	
(1) (2)	Utilities (Electricity, Water, Gas)	\$109,395,400.06	\$1.50	
	Electricity	\$86,221,677.47		
	Gas	\$4,539,602.08		
	Water	\$18,634,120.51		
	<b>Safe and Comfortable</b>			
(1) (3)	School Police Services	\$60,485,271.46	\$0.83	<b>\$0.83</b>
(1) (3)	Office of Environmental Health & Safety (OEHS)	\$14,483,718.44	\$0.20	<b>\$0.20</b>
(1) (3)	Information Technology	\$14,853,837.33	\$0.20	<b>\$0.20</b>
(4)	<b>Deferred Maintenance</b>	\$0.00	\$0.00	<b>\$0.00</b>
(1) (3) (5)	<b>Insurance</b>	\$9,180,500.89	\$0.13	<b>\$0.13</b>
	<b>Grounds Costs</b>			<b>\$0.13</b>
(1) (6)	Gardening Services	\$10,000,960.00	\$0.04	
(1) (6)	Landscaping/Tree Trimming	\$3,196,629.00	\$0.01	
(1) (6)	Custodial (Grounds)	\$18,488,413.00	\$0.08	
			<b>GRAND TOTAL</b>	<b>\$6.96</b>
<b>LEGEND</b>	<i>Total K-12 building square footage and direct support space</i>		<b>72,888,743</b>	
	<i>Footprint for K-12 buildings and direct support space</i>		<b>48,067,110</b>	
	<i>Total District building square footage</i>		<b>78,567,928</b>	
	<i>Total Grounds square footage</i>		<b>278,288,982</b>	
	<i>Net grounds square footage</i>		<b>230,060,876</b>	
<b>*NOTES:</b>				
	<i>(1) Calculation of facilities costs based upon actual 2013-2014 school year expenses</i>			
	<i>(2) Total K-12 building square footage and direct support space</i>			
	<i>(3) Rubbish removal, school police, OEHS (costs for annual safety inspections, CEQA and traffic studies), information technology, and insurance costs calculated as 92.8% of total District building square footage</i>			
	<i>(4) Deferred Maintenance was paid for by bond funds during 2013-14 school year</i>			
	<i>(5) District's premiums for excess liability, property coverage, Boiler &amp; Machinery, and Property Floater</i>			
	<i>(6) Net grounds square footage = Total grounds square footage less footprint for K-12 buildings and direct support space</i>			

**CHARTER SCHOOL LEASE AND JOINT USE AGREEMENT**

BETWEEN

LOS ANGELES UNIFIED SCHOOL DISTRICT,  
a school district duly organized and existing under the laws of the State of California,  
as LANDLORD

and

YPI CHARTER SCHOOLS, INC.,  
a California nonprofit corporation,  
as the operator of the Monseñor Oscar Romero Charter School,  
as Tenant

for

THE MONSEÑOR OSCAR ROMERO CHARTER SCHOOL

\_\_\_\_\_, Los Angeles, California

\_\_\_\_\_, 2015

## FUNDAMENTAL LEASE PROVISIONS

The following is a summary of fundamental provisions (the “**Summary**”) of the CHARTER SCHOOL LEASE AND JOINT USE AGREEMENT (herein the “**Lease**”), and this Summary is incorporated by reference into and made a part of the Lease. Each reference in the Lease to any term of this Summary shall have the meaning as set forth in this Summary for such term. In the event of a conflict between the terms of this Summary and the Lease, the terms of the Lease shall prevail. Any initially capitalized terms used herein and not otherwise defined herein shall have the meaning as set forth in the Lease.

(a)	“Landlord”:	Los Angeles Unified School District (also referred to herein as “ <b>LAUSD</b> ”), a school district duly organized and existing under the laws of the State of California.
(b)	“Tenant”:	YPI Charter Schools, Inc., a California non-profit corporation (also referred to herein as “ <b>MORCS</b> ”), a California nonprofit corporation as the operator of the Monseñor Oscar Romero Charter School, an independent charter school approved by Los Angeles Unified School District’s Board of Education (the “ <b>Board</b> ”).
(c)	“Leased Premises”:	Certain portions of the Property being developed by Tenant, which portions are identified on that Premises Plan attached hereto as <b>Exhibit “A-1”</b> , which shall include the subsurface rights to a portion of the Property indicated on the Premises Plan, but not the surface rights thereto.
(d)	“Effective Date”:	This Lease shall become effective upon the full execution by the Parties, subject to the satisfaction of the conditions set forth in Section 3 of the Lease (herein, collectively the “ <b>Conditions Precedent</b> ”).
(e)	“Project”:	The Project is to be located on a portion of the Property, and generally means Tenant’s construction of the new facilities for the Tenant to be co-located on the Property to provide permanent education facilities for Tenant’s students in sixth through eighth grade and improve certain other facilities as Joint Use Facilities for the use and benefit of LAUSD’s and Tenant’s students. See <b>Exhibit “B”</b> , the Recitals and the Development Agreement for particulars about the Project.
(f)	“Property”	The Property means the real property commonly known as 1157 S. Berendo Street in the City of Los Angeles (“ <b>City</b> ”), County of Los Angeles (“ <b>County</b> ”), State of California (“ <b>State</b> ”), which real property is more particularly described in on <b>Exhibit “A-3”</b> attached hereto and made a part hereof.
(g)	“Term Commencement Date”:	Subject to the satisfaction of the Conditions Precedent, the term commencement date shall be the date that DSA has issued a Form 6 indicating the facility is ready for occupancy and LAUSD OEHS completed Essential Safety Checklist & Approval Form for Phase I of the Leased Premises.
(h)	“Term”:	Forty (40) years, unless sooner terminated as provided in the Lease, as measured from the Term Commencement Date.

(i) "Expiration Date":	Forty (40) years after Term Commencement Date.
(j) "Base Rent":	<p>None, provided:</p> <p>ii) Tenant continuously operates the Middle School (as defined below) as a charter middle school serving grade levels 6 – 8, regardless of chartering entity, as set forth in the Use provision below and in accordance with all Applicable Law (as defined in this Lease); and</p> <p>(ii) No uncured Tenant Event of Default exists hereunder.</p> <p>Tenant will be obligated to pay (or reimburse Landlord for) all other costs associated with the Middle School as set forth in the Lease.</p>
(k) "Security Deposit":	None at this time. LAUSD reserves the right to require Tenant to submit a security deposit at a later date as provided in Article 26 of this Lease.
(l) "Use":	Tenant shall use the Leased Premises solely to operate a middle school under its charter petition as of July 1, 2012 and named the Monseñor Oscar Romero Charter School (herein, the " <b>Middle School</b> ") which shall provide educational instruction in a safe and secure environment to no more than 405 students at grade levels 6 to 8, and those uses related to the educational instruction occurring on the Leased Premises, in a manner wholly consistent with all Applicable Law and the Tenant's chartering documents.
(m) MORCS's Address for Notices:	<p>Monseñor Oscar Romero Charter School                  YPI Charter Schools, Inc.                  Attn: Yvette King-Berg, Executive Director                  9400 Remick Avenue                  Pacoima, CA 91331                  Telephone: (818) 305-2791                  Fax: (818) 847-7659                  E-mail: <a href="mailto:ykingberg@ypics.org">ykingberg@ypics.org</a></p>
(n) LAUSD's Address for Notices:	<p>Los Angeles Unified School District                  Leasing &amp; Space Utilization                  333 S. Beaudry Avenue, 23<sup>rd</sup> Floor                  Los Angeles, California 90017                  Attention: Dir. of Asset Management                  Facsimile: (213) 241-6784</p> <p>With a copy to:</p> <p>Los Angeles Unified School District                  Office of General Counsel                  333 S. Beaudry Avenue, 23<sup>rd</sup> Floor                  Los Angeles, California 90017                  Attention: Office of the General Counsel, Facilities                  Facsimile: (213) 241-8386</p>

(o)	LAUSD's Address for Payment:	Los Angeles Unified School District 333 S. Beaudry Avenue, 23 <sup>rd</sup> Floor Los Angeles, California 90017 Attention: Leasing & Space Utilization Facsimile: (213) 241-6784
(p)	"Date of Lease":	_____, 2015 (for reference purposes only)

## CHARTER SCHOOL LEASE AND JOINT USE AGREEMENT

This CHARTER SCHOOL LEASE AND JOINT USE AGREEMENT and the preceding Summary attached hereto and incorporated herein by this reference (the Charter School Lease and Summary to be known sometimes collectively hereafter as the “**Lease**”) is made and entered into by **LOS ANGELES UNIFIED SCHOOL DISTRICT**, a school district duly organized and existing under the laws of the State of California (herein “**LAUSD**” or “**Landlord**”), and YPI CHARTER SCHOOLS, INC., a California public benefit corporation (“**MORCS**” or “**Tenant**”), (LAUSD and MORCS sometimes collectively referred to herein as the “**Parties**”), with reference to the following facts:

### RECITALS

A. LAUSD owns the Property, a portion of which is subject to this Lease and shall constitute the Leased Premises. LAUSD has agreed that Tenant shall redevelop portions of the Leased Premises to provide a middle school campus for MORCS fulfilling the criteria of the “**Project**” described on **Exhibit “B”** attached hereto and made a part hereof;

B. MORCS is currently co-located on a portion of the Property under that certain Single Year Co-Location Use Agreement (as may be amended or renewed from time to time, the “**Use Agreement**”) under a facilities request pursuant to Proposition 39. Under the Use Agreement, MORCS served 6<sup>th</sup> through 8<sup>th</sup> grade students in 16 classrooms co-located on the Property. MORCS has been located on the Property since the 2011-12 school year, with most of such classrooms being in portable buildings, and all of which are located within the area identified as the “Original Prop. 39 Premises” on the attached **Exhibit “A-2”** (“**Original Premises Plan**”). However, for the 2015-16 school year, MORCS was relocated by LAUSD from the portables identified on Exhibit A-2 (“Original Premises Plan”) to the area identified as (“Current Prop 39 Premises”). Due to a LAUSD Facilities project to upgrade the wireless technology for the entire school, MORCS was relocated from the “Original Prop 39 Premises” to the “Current Prop 39 Premises” to eliminate the need to upgrade the bungalow classrooms that are planned for removal as a part of this Project.

C. Further, under the Use Agreement, MORCS shared and continues to share the use of certain portions of the Property with a District operated Middle School, Berendo Middle School (“**Berendo MS**”), identified as the “Original Joint Use Area” on the attached Original Premises Plan, and the Berendo MS occupied the balance of the Property for its use and operation identified as the “Berendo MS Campus” on the attached Original Premises Plan.

D. LAUSD and MORCS contemplate that the Project will be completed in two phases, subject to the terms of this Lease and a Development Agreement (defined below): (i) in the initial phase MORCS shall demolish six (6) existing bungalow classroom buildings and repair that portion of the Property identified as the “Phase I Area” on the Premises Plan to paved asphalt surface or landscaped area as appropriate. (“**Phase I**”), , and (ii) in the second phase (“**Phase II**”) MORCS shall (a) relocate or demolish one bungalow building in a manner subject to LAUSD’s prior written approval, and thereafter (b) construct the permanent facilities for MORCS within that portion of the Leased Premises identified on the Premises Plan as the “Phase II Area”, including, without limitation, a sub-surface parking garage After construction of the Project, Berendo MS shall have at least eight (8) physical education stations when combined with the operations of MORCS (as approved by LAUSD) counting both the stations to be constructed as part of the Project and those that are part of the existing Berendo MS campus.

E. MORCS will occupy the “Current Prop. 39 Premises” under the Use Agreement, as the same may be extended from time to time (and subject to all terms and conditions contained therein) during MORCS’s Phase II construction of the Project. Upon completion of Phase II, MORCS will take occupancy of the Leased Premises pursuant to this Lease, and shall continue to construct and complete the Project pursuant to the terms of this Lease and the Development Agreement.

F. When complete, the Project will provide “permanent” facilities for MORCS in 16 classrooms for MORCS’s Use as defined in this Lease. MORCS agrees that this Project, when complete, will provide a long term facilities solution for the Middle School in lieu of an annual co-location agreement under Prop. 39 (as defined in Section 29.1). The word “permanent” shall mean facilities that are not temporary or portable bungalows and shall not be construed as any indication or intention of MORCS having the right to occupy the Project and/or Leased Premises in perpetuity.

G. On October 13, 2009, by its report numbered 99-09/10 (“**Original Board Report**”), the Board consented to MORCS pursuing a construction and rehabilitation project with a similar budget to the Project, but to be located at the Berkeley Early Education Center (“**Berkeley EEC**”). However, MORCS subsequently determined that the Berkeley EEC was not a sufficient campus for its proposed Use.

H. Under that certain board report identified as 014-12/13, dated August 15, 2012 which expressly amends the Original Board Report, the Board authorized (i) LAUSD to begin negotiations with Tenant for this Lease and a Development Agreement and other related documents for the construction, delivery and occupancy of the Project at the Property; and (ii) an amendment to the Facilities Services Division Strategic Execution Plan to approve an augmentation grant of \$4,400,000 to MORCS in connection with the construction of the Project at the Property. Subsequent to the initial allocation of augmentation grant and for purposes of aesthetics and maximizing play space, LAUSD requested and MORCS agreed to construct an underground parking structure instead of a surface parking lot. This change in development plan increased the estimated cost of construction from \$17,900,000 to \$24,500,000. MORCS submitted a request to increase the amount of augmentation grant to \$8,575,000 which was approved by the Board pursuant to board report 217-14/15. The term “**Augmentation Grant**” shall mean the LAUSD bond funds allocated to this Project under the LAUSD Augmentation program in the amount of \$8,575,000.

I. LAUSD shall fund the Augmentation Grant to MORCS pursuant to the disbursement procedures in the Development Agreement.

J. MORCS originally projected the total cost of the Project as \$17,900,000. In addition to the Augmentation Grant, MORCS has applied for and was approved for \$15,150,698 (“**CSFP Award**”) from the State of California’s Charter School Facility Program (“**CSFP**”), which shall be granted to MORCS as a 50% loan and a 50% matching grant.

K. The CSFP requires, among other things, that LAUSD provide MORCS with a lease having a term of 40 years for the use of the Leased Premises. This Lease satisfies such requirement under the CSFP.

L. As more particularly set forth in Article 3 below, MORCS shall satisfy or cause to be satisfied certain conditions precedent to Term Commencement Date.

M. The CSFP also requires LAUSD to observe certain requirements in the event of the termination of this Lease. Any termination of the Development Agreement prior to completion of construction of the Project shall effectuate an automatic termination of this Lease. This Lease may also terminate due to a default as specified herein, and, in the event this Lease terminates prior to completion of construction of the Project, then the Development Agreement shall also automatically terminate concurrently with the termination of this Lease. LAUSD shall observe the requirements of Section 17078.62(b)(1) through (6), inclusive, of the Ed Code which are generally provided in Section 17.2(j) below.

N. Tenant and LAUSD intend to simultaneously execute this Lease and the Development Agreement to facilitate the development and construction of the Leased Premises, as set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing, the rents hereinafter reserved and the covenants and agreements hereinafter contained, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:



## ARTICLE 1. DEMISE

1.1 Effectiveness; Demise. Notwithstanding the Term and/or any provision herein to the contrary, the Parties agree that their agreements herein contained shall be effective and binding as of the Effective Date, provided that their rights, duties and obligations (as applicable) shall be subject to the satisfaction (or waiver) of the conditions contained in Article 3 below. Subject to the provisions of Sections 2.2 and 3 below, Landlord agrees to lease the Leased Premises to Tenant and Tenant hereby agrees to rent from Landlord, the Leased Premises. The Leased Premises shall include a license for Tenant to use a portion of the athletic field/basketball courts on the Berendo MS Campus to the immediate west of the Leased Premises for Tenant's "safe dispersal area" for emergency evacuation and fire, life and safety drills in connection therewith. The specific area for the license granted in the prior sentence may be modified in LAUSD's reasonable discretion provided that Tenant shall continue to have a legally compliant "safe dispersal area" in and around the Berendo MS Campus. Notwithstanding the license granted herein for Tenant's "safe dispersal area", Tenant shall be solely responsible for acquiring and maintaining emergency supplies for Tenant's students, faculty, staff and invitees.

1.2 Premises Plan; Reservations. Other than Tenant's occupancy of a portion of the Premises within the "Current Prop 39 Premises" as identified on Exhibit A-2 ("Original Premises Plan") under the Use Agreement, Tenant recognizes that the improvements depicted in the Premises Plan do not yet exist and that the land depicted thereon is not currently available for Tenant's use due to the construction to be undertaken as herein provided. This Lease, and the Leased Premises, shall be at all times subject to the following:

a. Utility Rights of Way and Risers and Conduits. Rights of way and areas within the Leased Premises, sewers, pipelines, conduits and other transmission devices or facilities for electrical and utility service (telephone, cable, gas, heat, light, heat, data and power) as shown on the Plans and Specifications, including the right to enter upon, above, below or through the Leased Premises or otherwise utilize the Leased Premises for such purpose and to maintain, replace, repair, and enlarge the utility areas, without compensation or abatement, subject to the requirements of Sections 12.1 and 12.5 and provided the Leased Premises shall be restored as much as reasonably possible to the condition existing prior to entry; and such rights of way shall not materially and adversely impair Tenant's use and operation of the Leased Premises.

b. Common Areas, Streets and Rights of Way. Rights of way, reservations or dedications for streets, common hallways and other access ways which are apparent from a visual inspection of the Project or the Plans and Specifications, or which shall be duly established or which are expressly reserved herein; and

c. Prior Exceptions; Title. The exceptions, reservations, grants, easements, leases (except as shall be removed as of the Term Commencement Date as set forth in Section 2.2 below) or licenses of any kind whatsoever, as the same appear on record in the office of the Recorder of Los Angeles County, California, or in the official records the City or any of its various departments (the "**Permitted Exceptions**"). Tenant bears full responsibility and liability for complying with all documents and agreements of record as included in the Permitted Exceptions.

## ARTICLE 2. TERM

2.1 Term of Lease. This Lease is effective, subject to the Conditions Precedent contained in Article 3, as of Effective Date. However, the Term shall be measured from and shall commence on the Term Commencement Date (assuming the conditions set forth in Article 3 are satisfied) and shall terminate at 11:59 p.m. on the day prior to the 40<sup>th</sup> anniversary thereof, if not sooner terminated (the "**Expiration Date**").

2.2 Pre-Occupancy Period; Rights and Obligations. Notwithstanding the Term and/or any provision herein to the contrary, the Parties agree that prior to the Term Commencement Date (herein the "**Pre-Occupancy Period**"), Tenant shall be entitled to occupy the Property pursuant to the Use Agreement

provided that the Tenant continues to apply for and is granted new Use Agreements during the Pre-Occupancy Period for the Property, subject to the earlier of (i) the termination of the Lease (and thus the Pre-Occupancy Period) and/or the Development Agreement in the event (1) the Conditions Precedent to the Term Commencement Date in Article 3 below are not satisfied or (2) Tenant defaults in any of its obligations under the Lease or Development Agreement; or (ii) the termination of the Use Agreement.

2.3 Commencement Date Certificate. Within a reasonable period of time after the Term Commencement Date, at the request of either party the parties will memorialize the Term Commencement Date, the Expiration Date, and such other terms and conditions as may be reasonably contained in a written agreement substantially in the form of Exhibit "D", attached hereto and made a part hereof ("**Commencement Date Certificate**"). Tenant shall execute the Commencement Date Certificate within 15 days of receipt, failing which Landlord may execute the same on Tenant's behalf as its attorney in fact.

2.4 Termination of Use Agreement. Upon the Term Commencement Date, the Use Agreement shall automatically terminate, and Tenant's sole right to use and occupy the Leased Premises and the Joint Use Facilities shall be pursuant to this Lease.

### ARTICLE 3. CONDITIONS PRECEDENT

3.1 Landlord's Conditions. Landlord's obligations under this Lease, the Development Agreement and the Term Commencement Date are expressly subject to the timely satisfaction of the conditions listed in this Section 3.1 (collectively, the "**Conditions Precedent**"). Each condition may be waived in whole or in part by Landlord by written notice to Tenant. Landlord and Tenant hereby covenant and agree that notwithstanding anything in this Lease to the contrary, in the event that any Condition Precedent has not been satisfied or waived, Landlord may elect to terminate this Lease and the Development Agreement, and Landlord shall have no further obligations to the Tenant under this Lease or the Development Agreement, so long as any delay or failure to meet any Condition Precedent is not a result of Landlord's failure or inability to act, scheduling delays on the part of Landlord, Landlord's delay of approval or other act or omission of Landlord:

a. School Board Approval. The Board shall have approved the Project and additional actions contemplated herein (such as environmental remediation, DTSC compliance, CEQA compliance, or otherwise) by October 26, 2016, and given delegated authority to LAUSD's Chief Facilities Executive or his designee(s) for the execution, delivery and consummation of the same.

b. Charter Documentation. Tenant shall be and at all times possesses all necessary consents, permits and approvals required by Applicable Law to operate the School, that it is in good standing under the laws of the State, and its charter is fully operational, complete, and effective in all material respects relative to its operation of the School.

c. Plans and Specifications. MORCS shall have submitted to LAUSD and LAUSD shall have reviewed and, in its reasonable discretion, approved, approved with conditions, or rejected all "**Plans and Specifications**" for the Project. The approved Plans and Specifications shall be added to the Development Agreement as an exhibit thereto. The Plans and Specifications shall also comply with the requirements of the Division of State Architect ("**DSA**").

d. Budget and Construction Schedule. MORCS shall have submitted to LAUSD and LAUSD shall have reviewed and, in its reasonable discretion, approved, approved with conditions, or rejected the "**Budget**" and "**Construction Schedule**" for the Project. The approved Budget and Construction Schedule for the Project shall be added to the Development Agreement as an exhibit thereto. The approved budget shall establish the total project cost "**Total Project Cost**" for the Project, which is currently estimated to be \$24,500,000.

e. CEQA. MORCS shall comply with the requirements of the California Environmental Quality Act (“**CEQA**”), shall have delivered all documents in conjunction with CEQA to LAUSD for its review and action, and LAUSD’s Board of Education shall have adopted said CEQA action.

f. Remediation. If required pursuant to any review in connection with CEQA, the Department of Toxic Substances (“**DTSC**”) or other legal requirement, MORCS shall have completed at MORCS’s sole cost and expense any and all required remediation to the Property as may be further defined in an abatement report and according to the following protocol: (1) any such abatement report, abatement work, and demolition work shall be performed by an LAUSD approved demolition and abatement contractor as applicable; (2) LAUSD’s Facilities Environmental Technical Unit (“**FETU**”) shall review and approve any such abatement report in writing prior to the commencement of any abatement, demolition or removal work of the applicable materials or structures; and (3) FETU shall review all such remediation work, and MORCS shall grant FETU access to all reports, records and files as requested by FETU in connection with overseeing such remediation work, access to the Campus and the Project, and shall promptly respond to all inquiries of and request for information from FETU regarding such remediation work. The completion of such remediation shall not be a Condition Precedent.

g. Other Approvals. At its sole cost and expense, MORCS shall obtain and provide to LAUSD one (1) copy of all necessary consents, permits and approvals required by Applicable Law, rule or regulation in order to commence the construction of the Project. The foregoing shall also include, but shall not be limited to, the consents, permits and approvals required to obtain funding from the CSFP, if any, including approval of the Plans and Specifications for the proposed improvements constituting the Project.

h. Development Agreement and Other Documents. MORCS shall have executed the Development Agreement substantially in the form attached hereto as **Exhibit “C”** and all such other reasonable and necessary instruments and documents for the transactions contemplated in this Lease in a form satisfactory to LAUSD in its reasonable discretion. In the event MORCS refuses to execute the Development Agreement and all such other reasonable and necessary instruments and documents, MORCS shall have no right to construct the Project on the Leased Premises, and MORCS agrees LAUSD shall not be liable for any costs, expenses and/or damages arising from the Project or the consequential termination of this Lease.

i. Tenant’s Waiver of Prop. 39 rights. The representations, warranties and covenants of Section 28 shall be true and correct.

j. CSFP Final Apportionment.

(i) On or before October 26, 2016 (“**CSFP Submission Date**”), MORCS shall have completed and submitted the instruments necessary for MORCS to obtain disbursement of the remaining funds of the CSFP Award for the Project. MORCS shall advise LAUSD in writing of the State of California’s determination of the final apportionment it is eligible to receive for the Project, the amount of the CSFP Award it shall receive under CSFP (amount of final apportionment less the amount of advance apportionment equals the amount of “**Final Disbursement**”).

(ii) On or before the date that is four years after the CSFP Submission Date, MORCS shall have actually received the Final Disbursement from the State.

k. Total Project Cost. In connection with the approved Budget, and, in the event the Final Disbursement plus the Augmentation Grant is less than the Tenant Project Cost, LAUSD shall review and solely approve MORCS’s plan and commitment to fund the difference. LAUSD, in its sole discretion, shall review the information provided by MORCS and determine whether the available funding MORCS is committing to provide for the Project is sufficient to commence and complete construction of the Project. LAUSD shall notify MORCS in writing if it determines MORCS has not provided acceptable evidence of sufficient funding to commence and complete construction of the Project and MORCS agrees it shall not commence construction of the Project until it has provided evidence of sufficient funding acceptable to

LAUSD. LAUSD discloses that a plan to fundraise for the costs and expenses of the Project shall not be acceptable until the funds are actually available to pay such costs.

l. Notice of Intent to Proceed. MORCS shall deliver to LAUSD a written notice of its intent to proceed with the construction of the Project.

m. Permits and Approvals. MORCS shall have obtained and maintain throughout its occupancy on the Leased Premises all necessary consents, permits and approvals required by Applicable Law, rule or regulation in order to operate the Charter School.

n. Use Agreement. MORCS shall have not been in default under the Use Agreement, and the Use Agreement shall be in full force and effect.

o. Timely Satisfaction of conditions. MORCS shall have satisfied all Conditions Precedent on or before October 26, 2016.

3.2 Failure of a Condition Precedent. Tenant specifically acknowledges and agrees that Landlord may terminate this Lease, the Development Agreement and the Pre-Occupancy Period for a failure of one or more of the Conditions Precedent or Conditions Subsequent, subject to the limitations set forth above, and in the event Landlord so terminates the Lease, Development Agreement and Pre-Occupancy Period, Tenant shall thereafter have no right to occupy the Leased Premises pursuant to this Lease, and shall only have such rights, if any, to occupy a portion of the Property Pursuant to the Use Agreement. Tenant specifically affixes its initials in the space provided below to evidence Tenants understanding as provided in this Section 3.2 and the Lease.

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MORCS Initials

3.3 Specific Covenants in the Event the Conditions Precedent are Satisfied. Tenant shall timely satisfy all of the following covenants in the event the Conditions Precedent are satisfied (in addition to other covenants and conditions in this Lease) (the following all being referred to as the “**Conditions Subsequent**”):

a. Commence Construction. Tenant shall have commenced construction of the Project within three (3) months after the satisfaction of the Conditions Precedent.

b. Standardized Testing. Tenant covenants and agrees that it shall coordinate with LAUSD and suspend all disruptive construction activities in connection with the Project during standardized testing at Berendo MS and make efforts otherwise to not schedule construction activities during such time periods; provided, that Tenant may proceed with construction activities if the principal of Berendo MS agrees in writing.

c. Comply with all Requirements of the Development Agreement. MORCS shall satisfy all of the requirements the Development Agreement.

d. Completion of Project. MORCS shall complete the Project in accordance with the Development Agreement within two (2) years of its commencement of construction of the Project subject to extensions as a result of Force Majeure Delays (as provided in the Development Agreement).

#### ARTICLE 4. USE

4.1 Use. Tenant shall only use the Leased Premises for (and its rights to use any part of the Project, including the Joint Use Facilities, are limited to) the purposes specified in Section (I) of the Summary and shall open the Middle School as soon as reasonably practicable and in no event more than thirty (30) days after the Term Commencement Date. No other uses shall be granted or permitted. Such use shall not permit the placement, storage or use of portable buildings or classrooms on the Leased

Premises or the Project regardless that such portable building(s) or classroom(s) would support Tenant's use. Tenant acknowledges and agrees that the use which Tenant is permitted to make of the Leased Premises and covenants that its operations on or about the Project are material provisions of this Lease. The Leased Premises and the Project shall not be used for any lewd, lascivious, immoral or illegal use. In no event shall smoking be permitted anywhere on the Project. Tenant shall not be permitted to erect or display on or about the Project any form of third party signage or advertising (whether in the form of signs, billboards, electronic media, or otherwise), without first having obtained Landlord's consent, which consent may be withheld in Landlord's sole discretion. Notwithstanding any provision in this Lease, use of the Leased Premises and Joint Use Facilities for fundraising, other income generating purposes or commercial activities where such activities involve third-party vendors or third-party invitees shall not be considered to be accessory to Tenant's educational program regardless of any funds or income generated for Tenant and shall not be a permitted use; provided, that Tenant may conduct such activities subject to Landlord's prior consent. As an example, and not as a limitation, Tenant would like to have a carnival on the Joint Use Facilities to raise funds. Tenant will inform Landlord of the scope of the carnival (e.g. rides, animals, food vendors, layout plan) and shall not be permitted to have such carnival until Landlord has consented and Tenant has complied with Landlord's requirements for such event.

(a) Licenses. Notwithstanding anything in this Section 4.1 or Article 19 to the contrary, Tenant shall have the right to enter into license or other agreements for the provision of services or goods to the educational programs operated by Tenant for the benefit of all of Tenant's students (e.g., food service, art instruction as part of a course offered by Tenant) without the consent of Landlord as to only those portions of the Leased Premises that are for Tenant's exclusive use; provided, however, that any license or other agreements that require students to pay a fee to participate in or which participation is voluntary (e.g., band camp, after school art lessons, after school SAT preparatory course, etc., but excluding food service provided to Tenant's enrolled students during normal school hours), whether or not paid directly to the Tenant or the third party service provider, shall be handled as a license in accordance with Landlord's policies and procedures and subject to Landlord's review and approval. Tenant's license or other agreements shall at a minimum require the vendor providing the services or goods to Tenant's educational program to maintain reasonable insurance for the benefit and protection of Tenant and Landlord, such insurance shall be issued by a company or companies licensed to do business in the State of California and meet Landlord's minimum insurance requirements, and indemnify and defend Tenant and Landlord. For purposes of efficient administration, Landlord recommends Tenant prepare a form license or other agreement for use with all vendors providing services or goods to Tenant's educational program and work with Landlord to review and consent to the use of the form license.

4.2 Shared Use. In addition to the use of the Leased Premises, Tenant shall have the right of access to and use of the areas of the Project noted on the Premises Plan (collectively, "**Joint Use Facilities**") for Tenant's educational program for its Middle School students (except as otherwise expressly provided herein). **Tenant shall pay an equitable portion of the costs and expenses associated with the insurance, maintenance, repair and replacement of the Joint Use Facilities as part of its Pro Rata Share and/or Tenant's Share.** Tenant shall not use Berendo MS or the Joint Use Facilities for its other programs or students not attending the Middle School.

Tenant's right to access the Leased Premises shall be 24/7; the Joint Use Committee shall determine the hours of access to the Joint Use Facilities. It is generally agreed that Tenant's right to access the Joint Use Facilities shall be during normal school hours, beginning at 7 a.m. to 4:30 p.m., Monday through Friday (the "**Primary Hours**"), excepting holidays, breaks and other days when Berendo MS or Landlord is not operating ("**Excluded Days**"). Available time for use of the Joint Use Facilities shall be reasonably allocated between Tenant and LAUSD, taking into consideration the ratio of students and state mandates (but only to the extent such state mandates are adopted by Tenant in Tenant's charter) affecting curriculum requirements (e.g. athletic and physical education requirements for middle school children, and the physical education requirements in Tenant's charter, if any). If Tenant would like use of the Joint Use Facilities on Excluded Days, Tenant must submit to LAUSD a request for such use specifying the dates and times of use. Upon receipt of the request, LAUSD shall provide a response identifying which dates, times and facilities may be available for use and an estimate of the cost and expense for such use. Tenant acknowledges and agrees that Tenant shall pay for the use of the Joint Use Facilities for Excluded Days,

for after school programs, summer school and/or any permitted use in excess of the Primary Hours. If Tenant would like use of any other facilities of Berendo MS, Tenant shall submit an application for a Civic Center Act permit through Beyond the Bell (or such other department that LAUSD may designate) or license through the Facilities Division (or such other department that LAUSD may designate), and such application shall be processed as any third-party request for use.

Tenant shall carry all reasonably prudent liability insurance for the activities undertaken on or in the Joint Use Facilities (and/or equitably share in the costs thereof if carried by LAUSD if so elected by Landlord). Tenant shall be entirely responsible for costs and expenses attendant to operating the Joint Use Facilities and its Project (including but not limited to costs of Utilities, security, and the like) as a result of Tenant's operations during such time as Berendo MS is not in session or those times when Tenant is the only entity occupying or using the Project. Moreover, Tenant agrees that the Joint Use Committee may establish the hours of access to the Joint Use Facilities (including but not limited to the parking areas of the Project). Tenant acknowledges that LAUSD is not liable for the security of the Joint Use Facilities during Tenant's use.

(a) Berendo MS has an old gym that is too small for the existing number of students on the campus. To address the inadequacy of the existing gym, Tenant requested the District consider the development of a new gymnasium to support the long term operations of both Tenant's Middle School and Berendo MS. On December 9, 2014, the Board of Education approved the Berendo Middle School Campus Improvement Project which consists of a new gymnasium, relocation of the existing Healthy Start Clinic and conversion of existing asphalt into permeable area. LAUSD shall build the new, larger gym utilizing LAUSD Bond Funds designated for charter school related projects. The new gym will be jointly used by Berendo MS students and the Middle School students, and LAUSD and Tenant shall each pay their proportionate share of the cost to operate and maintain the new gym. Tenant may relinquish or reduce its use of said new gym to LAUSD upon at least sixty (60) days' written notice prior to the start of a school year and thereby reduce or eliminate its obligation to pay Tenant's proportionate share of the costs and expense to operate and maintain the new gym; provided, further that after relinquishing its right to use said new gym, Tenant may elect to use the gym and such election shall be effective for the next school year. Tenant and LAUSD shall discuss and mutually agree upon whether the construction, operation and maintenance of the new gym can be incorporated into this Lease by a written instrument executed by the parties or whether the new gym shall require a separate written instrument setting forth the terms and conditions of the construction, operation and maintenance of the new gym.

4.3 Use of Joint Use Facilities. Concurrently with the initial determination and confirmation of the identity of the Joint Use Facilities, LAUSD and Tenant agree that the Joint Use Committee shall be formed in accordance with this Section 4.3 to (a) set forth the schedule for the joint use of the same (the "**Joint Use Schedule**"), and (b) address such other joint use issues as shall arise with respect to the Project (collectively, "**Joint Use Issues**"). The following shall apply relative to the Joint Use Committee:

(a) Devotion of Time. The representatives of the Joint Use Committee shall devote such time to the Joint Use Committee as is reasonably necessary to conduct the business of the Joint Use Committee and to carry out the responsibilities of the Joint Use Committee set forth herein, but in no event shall the requirements of this Section 4.6 be construed as precluding such representatives from conducting other business or businesses it may have, so long as the Joint Use Committee is carrying out its duties hereunder.

(b) Capacity. Notwithstanding anything herein to the contrary, the Joint Use Committee shall have no legal capacity as a committee and shall not be considered a legal entity, but instead each representative shall act in his or her own legal capacity as representatives of LAUSD and Tenant, respectively. The Joint Use Committee shall be an advisory committee to the Superintendent and to the President only and shall not serve as a "legislative body" for the purposes of Section 54950 et seq. of the California Government Code.

(c) Composition. The Joint Use Committee shall be composed of: (i) up to two (2) members selected by LAUSD in its sole and absolute discretion; (ii) up to two (2) members selected by Tenant in its sole and absolute discretion; (iii) the Superintendent of LAUSD (herein “**Superintendent**”); and (iv) the President of Tenant (herein “**Tenant President**”). The Tenant President and the Superintendent shall each have the right to appoint a designee to serve in their place. The Tenant President and the Superintendent (or their designees) shall co-chair the Joint Use Committee and either one shall have the authority to call a meeting upon reasonable advance written notice to all other members of the Joint Use Committee. The individuals selected by Tenant and LAUSD are herein referred to as the “**Representatives**.” LAUSD and Tenant acknowledge that it is desirable that the Representatives be knowledgeable about educational facilities, education processes, and both secondary and higher education. LAUSD and Tenant each acknowledge and agree in good faith that their participation in the Joint Use Committee is essential to the successful operation of the Project and the spirit of this Lease.

(d) Designation. LAUSD and Tenant shall each designate their respective Representatives (other than the Superintendent and the President) at least three (3) months prior to the Substantial Completion of the Project (as such term is defined in the Development Agreement) by written notice to the other. LAUSD and Tenant reserve their rights to designate successor Representatives, in their sole and absolute discretion, by written notice to the other, at any time during the Term of this Lease.

(e) Meetings. The Joint Use Committee shall endeavor to (but shall not be required to, provided it resolves the Joint Use Issues) meet no less frequently than once each year, reasonably prior to the start of the fall academic term, and on other such occasions as the Joint Use Committee shall so agree, to discuss and re-evaluate, as necessary, the Joint Use Issues. The principal of Tenant’s school and the principal of Berendo MS (or their respective designees) shall have the authority (without convening the entire Joint Use Committee) to jointly meet and mutually decide, alter or update the Joint Use Schedule and any Joint Use Issue so long as said mutual decision is put into writing and signed by each principal. In devising the Joint Use Schedule, the Joint Use Committee shall take into account the needs and demands described in subparagraph (a) above, and any impasses regarding scheduling for the calendar school year shall be resolved using the Tie-Breaker procedure below.

(f) Rules and Regulations. Tenant’s use of the Joint Use Facilities shall be governed by the rules and regulations from time to time established by the Joint Use Committee.

(g) Tie-Breaker. In the event the Joint Use Committee or the respective principals of Tenant’s school and Berendo MS cannot agree upon the schedule of use for the Joint Use Facilities, the following tie-breaker protocol shall apply:

(i) A representative from Tenant and Landlord shall each draw a card from a deck of playing cards. The lowest card shall be in the “No. 1” position and the other party shall by default be in the “No. 2” position. In round 1, No. 1 shall select first and then No. 2. In round 2, No. 2 shall select first and then No. 1. In round 3, No. 1 shall select first and then No. 2. This method shall be employed until all of the Joint Use Facilities have been allocated to the parties but in no circumstances shall this method provide to a party a greater proportionate use right than said party is entitled to.

(ii) Each selection shall be for a facility or feature that constitutes a portion of the Joint Use Facilities and shall specify the day or days of use and time period of use (which must be the same if there is more than one day of use). As an example, but not as a limitation, in round 1, No. 1 selects the gym on Monday and Wednesday, from 1p.m to 2p.m. and No. 2 selects the field on Monday and Wednesday from 2p.m. to 3p.m. As a further example, it would not be permitted for No. 1 to select the gym on Monday from 1p.m. to 2p.m. and Wednesday from 10a.m. to 11a.m. because the split time period of use.

(iii) Nothing herein shall prohibit the Joint Use Committee from agreeing on an alternative process to allocate the use of the Joint Use Facilities.

4.4 Parking. MORCS shall construct as part of the Project a subsurface parking garage for MORCS's use, and MORCS agrees that all of MORCS's parking needs and requirements shall be satisfied through such subsurface parking garage. MORCS shall have no parking rights in and to any other portion of the Property except the subsurface parking garage, and its employees, guests, or other invitees shall not park in any other portion of the Property or Project. To the extent the subsurface parking structure extends beyond the surface limits of the Leased Premises as shown on the Site Plan, MORCS covenants and agrees that any such subsurface parking structure, including, without limitation, the construction thereof, shall not interrupt, settle or disturb the surface of the Campus and/or LAUSD's use thereof.

4.5 Supervision and Security. Tenant, at its sole cost and expense, shall monitor, respond and be responsible for the on-campus safety and security of its students, staff and invitees while at Berendo MS and on the Leased Premises. In connection therewith, Tenant shall designate a full-time campus aide reasonably acceptable to LAUSD as a primary point of contact for monitoring and supervision for Tenant's use of the Project. Notwithstanding the foregoing to the contrary, Landlord shall have the right to contract for and provide all necessary sheriff, police and/or other security services at the Project, including, without limitation, security for the common areas of the Project, the Joint Use Facilities, and security for Tenant's use of the Leased Premises, the cost of which Tenant shall pay for as part of Tenant's Share, provided, that if Tenant wishes to use security armed with weapons (e.g., guns, pepper spray, batons etc.), Tenant shall be required to obtain the written consent of LAUSD (which consent may not be given by the principal of Berendo MS) prior to such security being present on the Leased Premises or any portion of Berendo MS.

4.6 Signage and other Exterior Alterations. Within the buildings on the Lease Premises, Tenant shall be allowed to establish such identification and directional signage as is reasonable, customary and generally compatible with that which Landlord has in and on the Project. Tenant shall review its proposed signage program with Landlord. Tenant shall be required to obtain any and all governmental approvals as be applicable to installation of permitted Tenant signage. All signage shall be in compliance with any covenants, conditions or restrictions encumbering the Leased Premises and Tenant shall be required to procure (and provided evidence thereof to Landlord) of receipt of any applicable permits and approvals required under Applicable Law. Tenant may apply to Landlord in writing to place signs and/or exterior art, paintings or other like alterations on the exterior portions of the Leased Premises (including, without limitation, signs and/or art work hung on the interior of the buildings on the Leased Premises and visible on the exterior of the Lease Premises, such as interior windows signs). To the extent the same are approved by Landlord (including, without limitation, the size, color, shape, subject matter, type, lighting and locations), in Landlord sole and absolute discretion, Tenant shall install such signs at Tenant's sole cost and expense.

4.7 Pedestrian Safety. Tenant shall establish and or cooperate with Landlord in establishing and adhering to a pedestrian safety plan for the safe arrival and departure of students to and from the Property. The plan may include, but are not limited to: installation and use of traffic controls, pedestrian signal lights, school warning and speed limit signs, school crosswalks, pavement markings, passenger loading zones and school bus loading zones and crossing guard operations. The plan may also include a "Pedestrian Routes to School" map for distribution to all school attendees with clear guidance on safe pedestrian access to school. The plan may require a traffic monitor to assure effective site circulation and pedestrian safety. Tenant agrees this monitor may be required to be one or more adult school staff stationed in the loading zone to ensure that the school's drop-off and pick-up procedures are followed. Tenant shall pay any and all costs for capital improvements required by Applicable Law as well as any and all operating costs associated with the implementation of any pedestrian safety measures, controls or monitoring as part of Tenant's Share (and the same shall be included within expenses that are allocable under Tenant's Share).

4.1 Available Space. The Project is intended to serve a maximum of 405 student seats. Landlord and Tenant have agreed that for each school year Tenant shall have enrolled a minimum of 344 students or 85% of its maximum number of students permitted by its charter petition physically attending at the Leased Premises; provided that if Tenant seeks to increase or decrease the number of students permitted under its charter petition which would result in a change of the maximum and minimum number



of student seats, Tenant and LAUSD shall negotiate the impact of such change on this Lease and execute a mutually agreeable amendment. This provision is intended to address two issues. First, is the potential for conflict and protests arising from two (2) schools occupying one school site. Students and parents of Berendo MS have expressed concerns about this Project. LAUSD anticipates there will be renewed complaints when a new, modern school facility emerges. The minimum number for enrollment is intended to encourage a comparable classroom loading ratio between Berendo MS and MORCS, and minimize one less issue for complaints and protests. Second, Landlord has an interest in Tenant having sufficient funds from average daily attendance to meet its financial obligations arising from this Project and Tenant conducting the educational program it has represented. This provision provides Tenant with an opportunity to build its enrollment, maintain occupancy of the Project and temporarily reduce its costs while Landlord temporarily utilizes the available space.

Notwithstanding anything to the contrary contained in this Lease, commencing upon the first academic school year after the Term Commencement Date and for every year thereafter, should Tenant not have an average daily attendance of a minimum of 344 students or 85% of its maximum number of students permitted by its charter petition physically attending at the Leased Premises, whichever is greater, then Landlord may elect, but shall not be obligated, to temporarily utilize the available space of the Project area (including classrooms and related facilities) in such size and configuration as Landlord believes reasonable and appropriate (or as required by law) for the District's use, which may include providing the space to another charter school under Proposition 39. Tenant shall notify LAUSD if: (i) it anticipates enrollment will be below the minimum set forth herein; or (ii) actual enrollment is below the minimum set forth herein. Prior to the exercise of said election, Landlord and Tenant shall discuss Tenant's current and projected enrollment for the next coming school year and efforts to increase enrollment. After this discussion, Landlord may deliver to Tenant written notice of its election to temporarily use the available space on the following conditions: (a) Landlord's use of the available space shall commence no earlier than sixty (60) days after delivery of notice to Tenant but the parties may mutually agree on a date beyond said sixty (60) days for commencement of use; and (b) if Landlord's use involves a program that does not involve students attending such space (such as, but not limited to, preparation of professional development material), Landlord agrees to relocate such use upon sixty (60) days' written notice that Tenant has enrolled students in attendance at the Project at or above said minimum enrollment number and Tenant can establish such minimum enrollment for a minimum of a two (2) month period with evidence reasonably satisfactory to Landlord; or (c) if Landlord elects to place a program that involves students attending such space (such as, but not limited to, a Prop. 39 single year occupant), Landlord agrees such use shall commence no sooner than July 1<sup>st</sup> of the next school year and Tenant agrees that such use shall continue in effect for said school year regardless of any increase in Tenant's enrollment. Landlord agrees that any use of available space shall result in a proportionate reduction of Tenant's Pro Rata Share and payment of utilities based on the square footage occupied by Landlord and Tenant agrees that such proportionate reduction in Tenant's Pro Rata Share and payment of a proportionate share of utilities shall be full compensation for the use of said space. Tenant may apply for any reason and at any time to Landlord to recover any space used by Landlord under this provision and the return of said space shall be governed by subsection (b) or (c) above; provided that if Tenant is in default of any other provisions of this Lease, Tenant shall cure such default before Landlord is obligated to remove its use of said space.

#### ARTICLE 5. BUILD OUT OF LEASED PREMISES;

5.1 Tenant Construction. Pursuant to the terms of the Development Agreement and this Lease, MORCS has agreed to construct and complete the Project reflected in the Plans and Specifications. Buildings and fixtures shall at a minimum meet LAUSD's requirements and specifications for equivalent schools. Tenant shall acquire all FF&E that it deems appropriate for its educational program, and shall not receive any FF&E from LAUSD.

5.2 Inspections and Acceptance of Leased Premises. Upon being notified that the Leased Premises are "Substantially Complete" (as such term shall be defined in the Development Agreement), the Parties shall conduct a "walkthrough" of the Leased Premises to establish a punchlist of cosmetic, non-structural items that remain to be completed (the "**Punch List Items**"). MORCS shall correct and complete the Punch List Items, if any, promptly following identification thereof and if at all possible within 30 days.

5.3 Occupancy. MORCS shall not be allowed to occupy the respective Phase I Improvements or Phase II Improvements until DSA has issued a Form 6 indicating that the applicable improvement is ready for occupancy and an Essential Safety Checklist & Approval Form has been completed by the Office of Environmental Health and Safety (“**OEHS**”).

5.4 Fitness for a Particular Purpose. LAUSD makes no representations or warranties of any nature as to whether the Leased Premises satisfy MORCS’s business plans, charter requirements or loan requirements or are otherwise suitable for MORCS’s operation and use.

5.5 As-Is, Release. Except as specifically set forth in this Lease, Tenant acknowledges and agrees that LAUSD makes no representations or warranties, express or implied, as to the Leased Premises or the transactions contemplated by this Lease. Prior to the Effective Date of this Lease, Tenant shall conduct any and all inspections of the Leased Premises that it deems to be necessary or appropriate to its full and complete satisfaction, and if Tenant leases the Leased Premises from LAUSD, Tenant acknowledges that it will be leasing the Leased Premises with full knowledge of any and all conditions of the Leased Premises. Tenant acknowledges that it is fully capable of evaluating the Leased Premises’ suitability for Tenant’s intended use. Tenant agrees to accept the Leased Premises “as is,” “where is” and “with all faults” and subject to any condition which may exist, without any representation or warranty by LAUSD. Tenant is further specially advised that the retaining wall on the perimeter of the Leased Premises and the Property along 11<sup>th</sup> Street is leaning and may be unstable. Tenant shall take all avoid using this area of the Lead Premises and the Property and shall take all such prudent precautions as Tenant deems advisable to ensure that its licensees, invitees, students, faculty and staff avoid using the area around such retaining wall until such time as the wall is repaired. Tenant shall be liable for and shall indemnify and defend LAUSD from any and all damage or destruction of the Leased Premises and any property located thereon, injury or death of persons, or any other claims, losses or demands arising solely from Tenant’s inspection and due diligence review of the Leased Premises.

## ARTICLE 6. RENT

There is no “Rent” due under this Lease. Notwithstanding the preceding sentence, Landlord, at Landlord’s option, may elect to characterize payments to be made by Tenant to LAUSD hereunder as “rent” within the meaning of California Civil Code Section 1951(a) for purposes of calculating LAUSD’s damages and enforcing its remedies against Tenant in the event Tenant defaults hereunder.

## ARTICLE 7. NET LEASE

7.1 Generally. This is a purely “net” Lease, as the Parties intend that Tenant be fully responsible for the payment of all expenses related to the Leased Premises, including, without limitation, Tenant’s Pro Rata Share (and to the extent applicable, Tenant’s Share) of expenses for the Leased Premises and the Joint Use Facilities, which may be attributed to, or become due, during the Term of the Lease, including, without limitation, all maintenance and repair costs, the cost of utilities, capital expenditures, taxes and insurance costs (collectively, “**Costs**”), as provided herein. It is the purpose and intent of LAUSD and Tenant that Tenant’s occupancy of the Leased Premises shall be net to LAUSD, so that this Lease shall yield, net to LAUSD, all Costs that shall be paid by Tenant, and that Tenant shall protect, defend (by counsel reasonably approved in writing by LAUSD), save, indemnify and hold harmless LAUSD from and against all Costs.

### 7.2 Supervisory Oversight Fee, Pro Rata Share and Tenant’s Share.

a. In addition to the Costs due hereunder, Tenant agrees that it will pay to LAUSD the supervisory oversight fee (herein, the “**Supervisory Oversight Fee**”) as provided by Section 47613 of the California Education Code (“**Ed. Code**,”), as from time to time may be amended. This fee shall (i) be determined in arrears as of July 1 of every year during the Term hereof; and (ii) be remitted to LAUSD on an installment schedule established by LAUSD, which schedule shall be delivered to Tenant in advance of Tenant’s payment. LAUSD shall have the right, from time to time, during the Term (and for one (1) year after the Term) to audit Tenant’s books and records, including the photocopy of Tenant’s

books and records, upon at least ten (10) days prior written notice during normal business hours. Notwithstanding any provision in this Lease, nothing herein shall prohibit LAUSD from performing its duties and obligations imposed by the Ed. Code as the charter authorizer of Tenant.

b. In addition to the Supervisorial Oversight Fee, Tenant shall be charged Tenant's Pro Rata Share and/or Tenant's Share as applicable to the expense item assessed against Tenant.

(i) Tenant's "**Pro Rata Share**" shall be calculated on the District's total facilities costs calculated pursuant to 5 CCR Section 11969.7 divided by the total interior square footage of LAUSD (resulting in a per square foot cost), multiplied by the total interior square footage of the Leased Premises then occupied by Tenant as well as Tenant's Share of the Joint Use Facilities, and is intended to be consistent with Section 47614(b) of the Ed. Code. The calculation of expenses to be passed through to Tenant under Tenant's Pro Rata Share and/or Tenant's Share is made annually, and therefore the expenses passed through to Tenant under Pro Rata Share and/or Tenant's Share may increase or decrease annually.

(ii) Certain expenses assessed to Tenant shall be based on expenses arising directly from the Leased Premises, and such expenses shall be equitably assessed to Tenant as reasonably determined in good faith by LAUSD and (1) at least equal to total square feet of Leased Premises divided by total square feet of entire Property and/or (2) taking into account the number of school days Tenant operates its Middle School and/or related and/or affiliated functions when compared to Berendo MS, including, without limitation, summer school and afterschool programs (herein "**Tenant's Share**").

(iii) A sample calculation of Tenant's Pro Rata Share of certain expenses is attached hereto as **Exhibit "E"** for reference purposes, though the amounts listed and Pro Rata Share calculations therein are examples only and subject to change per the terms of this Lease.

(iv) If MORCS determines in connection with a meeting of the Joint Use Committee in advance of a fall academic year that MORCS will not use a portion of the Joint Use Facilities, MORCS shall notify LAUSD prior to the beginning of such school year, and LAUSD may adjust MORCS Pro Rata Share (or Tenant Share, as may be applied) for MORCS reduction in use of the Joint Use Facilities.

7.3 **Additional Payments.** If LAUSD reasonably incurs costs, expenses or other charges under the terms of this Lease on behalf of Tenant for any costs or expenses that Tenant is otherwise responsible for under this Lease and after Tenant fails to pay such amount after the expiration of all applicable notice and cure periods, Tenant shall be responsible for reimbursing Landlord for the same. As an example, and not as a limitation, if Tenant fails to maintain the required insurance and, after observing the notice requirements in this Lease, LAUSD elects to obtain the insurance on behalf of Tenant, the cost of said insurance shall be payable by Tenant.

7.4 **Payments of Costs and Other Charges.** Except as expressly provided above, LAUSD shall not be required to submit a written invoice for any payments due from Tenant to Landlord under this Lease. Tenant shall make monthly installments of all Costs, including, without limitation, its Pro Rata Share and/or Tenant's Share, on the first (1st) day of every month and LAUSD shall not be required to submit a written invoice for any amounts other than to establish such amounts at the beginning of each school year or as otherwise provided in this Lease. If any such sums due from Tenant to Landlord under this Lease are imposed on other than the first (1st) day of a calendar month, then Tenant shall pay the first (1st) month's amount prorated to reflect a partial month. All reasonable costs and expenses actually incurred by LAUSD, including reasonable attorneys' fees (whether or not legal proceedings are instituted), in collecting the payment of any amounts and charges or enforcing the obligations of Tenant under this Lease shall be paid by Tenant to LAUSD in the manner set forth in this Section 7.4.

7.5 **Utilities.** Tenant shall use commercially reasonable efforts to cause all water, gas, heat, lighting, power, trash removal, sewer and other utilities (collectively, the "**Utilities**") that may be

used or needed by Tenant in connection with its use of the Leased Premises to be separately metered. If Utilities for the Leased Premises cannot be separately metered and directly paid by Tenant, LAUSD shall furnish all Utilities that may be used or needed by Tenant in connection with Tenant's use of the Leased Premises and other areas of the Project which Tenant is permitted to use hereunder. Tenant shall be billed for, and shall pay, Tenant's Pro Rata Share of such Utilities. Except as to the extent of LAUSD's negligent acts or omissions, no interruption, reduction or cessation of any Utilities shall constitute an eviction or disturbance of Tenant's use or possession of the Leased Premises or an ejection or eviction of Tenant from the Leased Premises, or a breach by LAUSD of any of its obligations, or render LAUSD liable for any damages, including but not limited to any damages, compensation or claims arising from any interruption or cessation of Tenant's business, or entitle Tenant to be relieved from any of its obligations under this Lease. Notwithstanding anything herein to the contrary, LAUSD shall use its commercially reasonable efforts to assist Tenant in restoring such services so long as LAUSD is not required to incur any costs or expenses; provided, however, LAUSD shall use its commercially reasonable efforts to restore such services regardless of cost and expense to LAUSD if such interruption in service was directly due to LAUSD's negligent acts or omissions.

7.6 Taxes. The term "**Tax**" or "**Taxes**" shall mean all city, state and county ad valorem taxes and similar taxes and assessments and real estate taxes (to the extent that the Parties are not exempted therefrom), privilege taxes, excise taxes, gross sales taxes, water charges, sewer charges, assessments and bonds (including, but not limited to, assessments and bonds for public improvements or benefits) and all other governmental taxes, fees, impositions and charges of every kind and nature, general and special, ordinary and extraordinary, unforeseen as well as foreseen, whether belonging to or chargeable against LAUSD or Tenant, which shall be or become due and payable under or by virtue of any Applicable Law or otherwise is applicable to the Project during the Term or attributable to the use of the Project during the Term. Further, Taxes shall mean all taxes on property of subtenants of the Project which have not been paid by such subtenants directly to the taxing authority; surcharges; and any taxes levied or assessed in addition to or in lieu of, in whole or in part, of real estate taxes or assessments and any other tax or assessment upon leasing of the Project or rents collected therefrom. TENANT IS AWARE THAT THE GRANTING OF THIS LEASE TO TENANT MAY CREATE A POSSESSORY PROPERTY INTEREST IN TENANT AND THAT TENANT MAY BE SUBJECT TO PAYMENT OF A POSSESSORY PROPERTY TAX IF SUCH AN INTEREST IS CREATED. Taxes include:

a. Real Estate Taxes. All real estate taxes, assessments for improvements to the Leased Premises and/or Joint Use Facilities, or any other assessments or taxes, which shall be levied against the same, or any interest therein, and which become a lien thereon and accrue during the term of this Lease Agreement.

b. Personal Property Taxes. All personal property taxes, assessments, charges, rates, duties, license fees and liens of every kind and nature which shall be levied against Tenant's materials, furniture, fixtures, equipment or other personal property as may be from time to time situated within the Leased Premises, and which become a lien thereon and accrue during the term of this Lease ("**Personal Property Taxes**"). Tenant shall cause such Personal Property Taxes to be billed separately from the property of LAUSD. Tenant hereby indemnifies and holds LAUSD harmless from and against the payment of all such Personal Property Taxes.

c. Possessory Interest Taxes. If, pursuant to the provisions of the California Revenue and Taxation Code, Tenant's ownership of the improvements on the Leased Premises results in a possessory interest tax being levied against LAUSD, any such possessory interest tax and any fine, penalty, interest or cost that may be added thereto for the nonpayment thereof. Landlord makes no representation or warranty about the imposition or exemption of Taxes.

d. Miscellaneous Taxes. "**Miscellaneous Taxes**" which means all documentary transfer taxes, excise and payroll taxes and sales, consumer, use and/or similar taxes related to the Leased Premises and/or Joint Use Facilities or its construction, maintenance, repair, use and operation. Tenant agrees it is responsible for any and all documentary transfer tax associated with any recordation

of documentation evidencing this Lease, the Term of this Lease and/or a reassessment of real property taxes stemming from a "change of ownership" attributable to the Tenant's lease of the Leased Premises.

Notwithstanding the foregoing, prior to payment of any Taxes (other than Miscellaneous Taxes), Tenant shall have the right, at its sole cost and expense, to contest the amount or validity of any Taxes, in whole or in part, by appropriate administrative and legal proceedings, and LAUSD shall reasonably cooperate with Tenant should Tenant in good faith contest or appeal any proposed Taxes.

LAUSD and Tenant agree to mutually cooperate to arrange with the taxing authorities to have the Leased Premises and any improvements thereon treated as a separately taxed interest from the balance of the Project, and for any Tax related to the Leased Premises to be directed to Tenant. If any Tax is not separately assessed to the Leased Premises, or directed to Tenant, but is included in an assessment covering the Project, or in an assessment directed to LAUSD, then Tenant shall pay Tenant's Share. LAUSD shall deliver to Tenant a statement setting forth Tenant's Share of any such assessment not separately assessed to the Leased Premises, or directed to Tenant, and the manner in which Tenant's Share was determined. If LAUSD or Tenant receives such an assessment, each party shall deliver to the other party a copy of such assessment at least twenty (20) days prior to the delinquency date of such assessment, or, if such assessment may be paid in installments, at least twenty (20) days prior to the delinquency date of such installment. Within ten (10) days of such delinquency date, Tenant shall furnish LAUSD with a valid check or draft, payable to the order of the taxing authority listed in such assessment, in the amount of Tenant's Share of assessment or installment thereof. Prior to delinquency, LAUSD shall deliver such check or draft, together with the appropriate assessment bill, to the listed taxing authority. If either party fails to timely make such payments, the delinquent party shall reimburse the other party for any cost or expense incurred due to Tax payments not timely made, which reimbursement shall be made within ten (10) days following written request therefor.

**7.7 Maintenance and Operation of the Leased Premises.** Tenant shall be responsible to pay for all costs and expenses to and shall operate and maintain the Leased Premises including all systems and improvements for the Project, which are separate and apart from any systems and improvements for Berendo MS and only serve the Project, in a good, safe and sanitary condition. Tenant shall be required to, and shall not be limited to, repair, improve, replace, perform deferred maintenance and routine repair and general maintenance for the Project including all furniture, fixtures and equipment. Tenant shall be required to perform deferred maintenance for the Leased Premises until LAUSD provides such services under Section 7.13. The operation and maintenance of the Leased Premises and specifically custodial, RRG and deferred maintenance shall sometimes collectively be referred to as "M&O Services." Tenant shall be required to perform such M&O Services in accordance with Applicable Law. Subject to Article 9 below, Tenant shall also be responsible to make any and all capital or non-capital additions, Alterations, renewals, replacements or repairs to the Leased Premises which may be required by any Applicable Law. All such additions, Alterations, renewals, replacements or repairs made by Tenant shall be done in a good worker-like manner with first (1<sup>st</sup>) class materials, shall be made pursuant to Article 9 below, and shall comply with all requirements applicable to public school construction as required by Ed. Code Section 17078.54(c)(1)(A).

a. **Background Check.** Tenant shall require all of its teachers, other employees, independent contractors, and any other person or entity in contact with students or providing services, supplies or goods to Tenant to be fingerprinted and satisfy the criminal background investigation requirements described in the Ed. Code for teachers and school district employees. Tenant shall escort and supervise a person(s) or entity(ies) entering the Leased Premises when students are present if the fingerprinting and criminal background investigation requirements have not been complied with.

b. **Custodial.** Custodial (Building) service is defined as those day-to-day services routinely provided such as, but not limited to, the vacuuming and dry or wet mop of flooring, emptying of classroom trash, dusting of surfaces, and disposal of trash. Tenant may elect, in writing delivered to LAUSD, to perform the custodial services for the Leased Premises. Once elected, Tenant shall be solely responsible for the provision of custodial for the Leased Premises. In providing custodial for the Leased Premises, Tenant shall require its employee(s) to:

(i) Use only LAUSD approved cleaning supplies; and

(ii) Have and maintain the LAUSD Buildings & Grounds Worker Certificate, which can be obtained by enrolling and successfully completing the appropriate course at LAUSD adult schools, skills center and occupational centers.

If Tenant will retain a third-party provider to provide custodial services for the Leased Premises, Tenant shall insure that said third-party provider complies with the terms and conditions of this Lease and in particular subsection (a) and subsections (1) and (2) hereinabove. Tenant shall be solely responsible and liable for any and all claims, lawsuits, judgements and liability arising from said third-party provider.

c. Routine Repair and General Maintenance. Routine Repair and General Maintenance (“RRGM”) is broadly defined as routine repair and general maintenance such as, but not limited to, preventative maintenance, regulatory inspections, routine inspections and the change out of consumable parts for equipment, systems and infrastructure on a set schedule. As an example, and not as a limitation, the replacement of HVAC air filters.

(i) LAUSD to Provide RRGM. Notwithstanding any provision, Tenant shall retain LAUSD to provide RRG M services for a period of three (3) years from the Term Commencement Date and LAUSD shall provide RRG M services for the Leased Premises to a standard reasonably comparable with other LAUSD operated middle schools. If Tenant reasonably believes LAUSD is not meeting the standard set forth above, then Tenant shall give Landlord written notice specifying the reasons for such dissatisfaction and propose reasonable cures. Landlord and Tenant shall promptly meet to discuss in good faith said notice and to attempt to reach agreement on an acceptable cure. In all events, Tenant agrees that Landlord shall have a reasonable amount of time (at least 30 days) to implement a cure. For said first three (3) years of the Term, Tenant shall pay its “**Pro Rata Share**” to LAUSD for these services, which shall be calculated by multiplying the square footage of the Leased Premises by the per-square-foot rate for RRG M as calculated by LAUSD using the LAUSD Facilities Costs prepared for Prop. 39 for the then applicable school year. Tenant acknowledges it is familiar with and pays Pro Rata Share for the facilities it occupies under Prop. 39 as of the date of Tenant’s execution of this Lease. Tenant understands and LAUSD discloses the facilities costs upon which Pro Rata Share is based upon fluctuates on a yearly basis and, as of the date of this Lease, LAUSD projects that such facilities costs will increase.

(ii) Tenant May Provide RRGM. Tenant may elect to perform its own RRG M services, with the exception of Required Regulatory Inspections, for the Leased Premises after the expiration of said three (3) year period if it provides a minimum of one (1) year prior written notice of such election to LAUSD. LAUSD discloses that the one (1) year notice is necessary in order for LAUSD to terminate employees or make other adjustments to its manpower for the reduction of work. As an example, and not as a limitation, if Tenant delivers to LAUSD written notice of its election to perform RRG M on June 30, 2019 (a fictional date used as the expiration date of said three year period), Tenant shall be obligated to retain LAUSD for RRG M for the 2019-2020 school year and pay its Pro Rata Share for RRG M.

d. LAUSD Provided Services. Notwithstanding any provision, Tenant shall retain LAUSD to provide all other services identified in the LAUSD Facilities Costs prepared for Prop. 39 for the then applicable school year including pest management and Required Regulatory Inspection as provided in Section 7.12. Tenant is encouraged to periodically inquire to LAUSD’s Maintenance & Operations Division regarding LAUSD policies, and any amendments thereto, applying to the use and operation of the Leased Premises. A copy of LAUSD’s pest control policy in effect as of the execution of this Lease by the Parties may be found at <http://mo.laschools.org/fis/existing-facilities/m-and-o/mo-operations/?show=pest>. At this time, Required Regulatory Inspection is not a line item in the LAUSD Facilities Costs but may be designated as such in the future. Notwithstanding any provision, LAUSD shall provide all operations and maintenance service for any systems and/or infrastructure that impacts Berendo MS or provides service or support to Berendo MS and the Leased Premises regardless of

whether such systems and/or infrastructure is located on the Leased Premises, and Tenant agrees to pay its proportionate share of any such costs; provided that Tenant shall be solely responsible for any costs to repair or replace any portion of the Property if such cost was incurred due to the act or failure to act by Tenant; provided, further, that LAUSD shall be solely responsible for any costs to repair or replace any portion of the Property if such cost was incurred due to the act or failure to act by LAUSD.

(i) Service Calls. Tenant may request Service Calls and LAUSD may agree to provide the requested service. LAUSD shall not be obligated to perform Service Calls for Tenant. If LAUSD provides the requested service Tenant shall pay for said requested Service Call within thirty (30) days of its receipt of an invoice provided by LAUSD. Service Calls are broadly defined as repairs, additions or alterations to existing buildings, equipment, systems and infrastructure as requested by Tenant. As an example, and not as a limitation, services for an overflowing toilet or trim storm damaged trees.

(ii) Emergency Service. In the event of an emergency, LAUSD may provide services to the Leased Premises without notice to Tenant and Tenant shall pay for such services as provided in this Lease.

e. Deductions From Pro Rata Share. This subsection (e) is in addition to other provisions pertaining to Pro Rata Share and payments due and owing by Tenant contained in this Lease. Exhibit E is a sample LAUSD Facilities Costs prepared for Prop. 39. LAUSD discloses it may delete or add line items identified in the LAUSD Facilities Costs as permitted by the Charter School Act of 1992 and the regulations, and the per-square-foot rate of each line item will increase or decrease from year to year. Tenant shall pay its Pro Rata Share as calculated using the LAUSD Facilities Costs per-square-foot facilities rates for the then applicable school year subject to the following exclusions:

(i) First Three (3) Years of Term. For the first three (3) years of the Term, Tenant and LAUSD agree to exclude from the calculation of Tenant's Pro Rata Share the following: Custodial (Buildings) and Information Technology. LAUSD shall not provide said identified services and Tenant shall be solely responsible for providing said services.

(ii) After Tenant Elects to Perform RRGM. After the expiration of the first three (3) years of the Term, if Tenant elects to perform RRGM for the Leased Premises and provides proper notice to LAUSD of said election, Tenant and LAUSD agree to exclude from the calculation of Tenant's Pro Rata Share the following: those line item costs identified in subsection (e)(1) above, Air Filter Tech and Building Engineering, and RRGM. Required Regulatory Inspections, which is currently included in RRGM, shall be performed by LAUSD and shall be billed based on actual costs.

7.8 Joint Use Facilities. Landlord shall maintain and keep the Joint Use Facilities in a good, clean, and safe condition consistent with the guidelines and requirements promulgated by LAUSD from time to time relating to the maintenance of LAUSD schools and shall implement its standard pest management policy, as may be amended during the Term of this Lease, for the Project. Tenant agrees to pay Tenant's Share of the costs incurred by Landlord in connection with the foregoing, which payments shall be due within 30 days of demand. Landlord may charge Tenant for Tenant's Share of additional maintenance fees and costs for the Joint Use Facilities in the event Tenant uses such Joint Use Facilities on Excluded Days as provided in Section 4.2 above.

LAUSD shall have no obligations whatsoever with respect to the maintenance, repair, replacement, improvements or other capital or non-capital improvements, including those that may be required by Applicable Law, at the Leased Premises.

Nothing contained herein shall be construed as requiring LAUSD to make any repairs or to do any maintenance necessitated or to make any repairs, changes, alterations, additions, improvements or replacements of any nature whatsoever in, on or about the Leased Premises or Project at any time by reason of the act or omission of Tenant or anyone claiming under Tenant or by reason of the failure of Tenant to observe or perform any conditions, covenants or agreements contained in this Lease or

required by Applicable Law, or by any act or omission of any third-party (excluding LAUSD), or by reason of any damage to or destruction of other property caused by any improvements, alterations or additions made by Tenant or anyone claiming through Tenant. Tenant waives any rights created under any law now or hereafter in force to make repairs to the Leased Premises or Project at LAUSD's expense.

7.9 Deleted.

7.10 Tenant's Insurance. Except as provided in this Lease, no coverage shall be provided to the Tenant by LAUSD under any of LAUSD's self-insured programs or commercial insurance policies. Tenant shall secure and maintain, at a minimum, insurance as set forth below with insurance companies acceptable to Landlord (as set forth in Section 7.10 below) to protect the Middle School, Tenant and Landlord from claims which may arise from Tenant's operations, except for property insurance as described below. It shall be Tenant's responsibility, not LAUSD's, to monitor its vendors, contractors, partners or sponsors for compliance with the insurance requirements. Tenant, at Tenant's sole cost and expense, shall obtain and keep in full force and effect, beginning on the Term Commencement Date and continuing until the Lease terminates the following insurance:

(a) Liability Insurance. Commercial general liability insurance with respect to the Leased Premises and the operations of or on behalf of Tenant in, on or about the Project, the Leased Premises and Joint Use Facilities, including but not limited to: bodily injury, product liability (if applicable), blanket contractual, broad form property damage liability coverage and host liquor liability in an amount not less than \$5,000,000.00 per occurrence and \$5,000,000.00 in the aggregate, plus a \$5,000,000.00 umbrella policy, and excess liability coverage on a basis consistent with coverage for schools of a type similar to the Middle School as required by LAUSD as a school district. The policy shall be endorsed to name LAUSD and the Board as named additional insureds and shall provide specifically that any insurance carried by the Landlord which may be applicable to any claims or loss shall be deemed excess and the Tenant's insurance shall be primary despite any conflicting provisions in the Middle School or Tenant's policy. Coverage shall be maintained with no Self-Insured Retention above \$15,000 without the prior written approval of the Office of Risk Management for LAUSD.

(b) Other Liability Coverage. In addition, Tenant shall procure, pay for and keep in full force and effect commercial auto liability coverage with limits of \$1,000,000 combined single limit unless Tenant operates bus services for students; provided, that if Tenant is providing any bus services for students, Tenant shall maintain coverage limits not less than \$5,000,000 combined single limit. All liability policies shall contain: (1) severability of interest, (2) cross liability, (3) contractual liability, (4) personal injury liability, (5) coverage for explosion, collapse, and underground hazards, (6) an endorsement stating "Such insurance as is afforded by this policy for the benefit of LAUSD shall be primary with respect to any liability of claims arising out of the occupancy of the Leased Premises by Tenant, or out of Tenant's operations, and any insurance carried by LAUSD shall be excess and non-contributory." If any such liability coverage is written on a claims-made basis, the certificate of insurance must clearly so state and the following additional information must be provided to LAUSD: (A) Is defense coverage included in the limit (yes or no); (B) aggregate limitations (general and products/completed operations); (C) retroactive date; (D) length of time for extended reporting period (E) limitations on invoking reporting period (if other than nonpayment); and (F) is "notice of circumstances" allowed (yes or no). Any independent contractors performing services on or about the Middle School shall be required to provide proof of liability insurance comparable to that required of Tenant for the benefit of LAUSD.

(c) Property Insurance. Tenant, as a part of its Pro Rata Share, shall pay for property insurance ("**LAUSD Property Insurance Program**") as described in Exhibit "F" attached hereto and made a part hereof and which may be, at Landlord's discretion, from time to time modified and nothing herein obligates Landlord to provide such insurance to Tenant.

(d) Workers' Compensation, Employer Liability. Workers' Compensation Insurance in accordance with provisions of the California Labor Code adequate to protect the Tenant and Middle School from claims that may arise from Tenant's operations pursuant to the Workers' Compensation Act (Statutory Coverage). The Workers' Compensation Insurance coverage must also include Employers



Liability coverage with limits of \$1,000,000/\$1,000,000/\$1,000,000. Coverage shall be specifically endorsed to include an insurer's waiver of subrogation in favor of LAUSD and its directors, officers, representatives, agents and employees, a copy of which shall be provided to LAUSD. Should any such work be subcontracted, Tenant shall require each subcontractor of any tier to similarly comply with this provision, all in the strict compliance with Applicable Law.

(e) Loss of Business. Loss of income, business interruption and extra expense insurance in such amounts as will reimburse Tenant for direct or indirect loss of earnings and incurred costs attributable to the perils commonly covered by property insurance, but in no event less than the greater of \$1,000,000.00 or 100% of gross revenues for a period of 12 months. Such insurance will be carried with the same insurer that issues the insurance for Tenant's Property. LAUSD shall not be responsible for any deductibles under Tenant's policies, nor any personal property of Tenant that is underinsured or valued at less than 100% of the replacement cost.

(f) Fidelity Bond. Fidelity Bond coverage for all of Tenant's employees who handle, process or otherwise have responsibility for Tenant's funds, supplies, equipment, or other assets, whether used or located on the Leased Premises or not, in an amount of at least \$50,000.00 per occurrence, with no self-insured retention under the policy.

(g) Professional Educator's Errors and Omissions. Professional educators' errors and omissions liability coverage including sexual molestation and abuse coverage (if that coverage is not afforded elsewhere in the commercial general liability policy), with minimum limits of \$3,000,000.00 per occurrence and \$3,000,000 general aggregate.

(h) Sexual Molestation and Abuse. Sexual Molestation and Abuse coverage with minimum limits of \$3,000,000 per occurrence and \$3,000,000 general aggregate. Coverage may be held as a separate policy or included by endorsement in the Commercial General Liability or the Errors and Omissions Policy.

(i) Employment Practices Legal Liability. Employment Practices Legal Liability coverage with limits of \$3,000,000 per occurrence and \$3,000,000 general aggregate.

(j) Competitive Sports Programs. Tenant shall also maintain excess/umbrella insurance with limits of not less than \$10,000,000 required of all middle schools and any school which participates in competitive interscholastic or intramural sports programs.

Should the Tenant deem it prudent and/or desirable to have insurance coverage for damage or theft to school, employee or student property, for student accident, or any other type of insurance coverage not listed above, such insurance shall not be provided by LAUSD and Tenant is solely responsible for the purchase and maintenance of the same.

7.11 Insurance Policy Criteria. All policies of insurance required to be carried by Tenant pursuant to these requirements shall be written by responsible insurance companies qualified to do business in the State of California rated no less than the standard LAUSD requires for the schools within the District (A.M. Best, A-, VII, or better). Any such insurance required of Tenant hereunder may be furnished by Tenant under any blanket policy carried by it or under a separate policy therefore. A true and exact copy of each paid-up policy evidencing such insurance or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required and containing the provisions specified herein, shall be delivered to LAUSD (as set forth below) prior to the date Tenant is given the right to possession of the Leased Premises, and upon renewals, not less than 30 days prior to the expiration of such coverage. In addition, LAUSD shall be named as an additional insured on the liability policies and a loss payee on the property coverages. LAUSD may, at any time and from time to time, upon reasonable notice to Tenant and at no cost to Tenant, inspect and/or copy any and all insurance policies required hereunder, and in no event shall the then-limits of any policy be considered as limiting the liability of Tenant under this Lease.

(i) Address for Insurance Deliveries. Tenant shall furnish to LAUSD's Office of Risk Management and Insurance Services located at 333 S. Beaudry Ave, 28th Floor, Los Angeles CA 90017

(ii) Language for Certificates of Insurance. Certificates shall be endorsed as follows: "The insurance afforded by this policy shall not be suspended, cancelled, reduced in coverage or limits or non-renewed except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the District." Facsimile or reproduced signatures may be acceptable upon review by the Office of Risk Management and Insurance Services. However, LAUSD reserves the right to require certified copies of any required insurance policies.

b. Modification of Insurance Coverage. At any time during the Term of this Lease, LAUSD may request reasonable modifications to the insurance coverage required in this Article 7 to be maintained by Tenant. Tenant may obtain and maintain policies of insurance in addition to those required to be obtained and maintained by Tenant hereunder; provided, however, that any such policy shall comply with the provisions applicable to insurance policies obtained and maintained under this Article 7.

c. Notice of Cancellation. All policies shall be endorsed to provide not less than 30 days' prior written notice of any cancellation, reduction or material change in coverage. Tenant shall submit certifications annually to LAUSD confirming that the insurance required has been renewed and continues in place.

d. Failure to Obtain Insurance. If Tenant fails to procure, maintain and/or pay for at the times and for the durations specified in this Lease, the insurance required hereunder, or fails to carry insurance required by any Applicable Law, LAUSD may (but without obligation to do so), and with concurrent notice to Tenant, perform such obligations on behalf of Tenant, and the cost thereof, together with interest thereon at the Interest Rate from the date of demand until paid, shall immediately become due and payable as additional payment to LAUSD.

e. LAUSD's Insurance. During the Pre-Occupancy Term and through-out Tenant's construction of the Project, Tenant shall carry and maintain builder's risk property insurance and such other insurance in the amounts and subject to the deductibles as LAUSD may reasonably approve.

f. Release. Notwithstanding anything in this Lease to the contrary, LAUSD and Tenant hereby release each other from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any loss or damage to real or personal property on the Leased Premises caused by fire or any other peril that is insured or required to be insured under this Lease (including, any loss attributable to a deductible or self insured retention for any peril that is insured or required to be insured under this Lease), even if such fire or other peril shall have been caused by the fault or negligence of the other party or anyone for whom such party may be responsible. LAUSD and Tenant shall each procure insurance policies with such a waiver of subrogation and with a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover thereunder.

7.12 Required Regulatory Inspections. Tenant understands that LAUSD, as the owner of the Property, is required to submit certain forms, tests, and reports to various regulatory agencies ("**Required Regulatory Inspections**"). Tenant shall compensate LAUSD for the Required Regulatory Inspections at LAUSD's then prevailing rate for such tests, inspections and preparation of reports through Tenant's payment of its Pro Rata Share, or as a direct expense if, for any reason, the Required Regulatory Inspections are not included as part of the Pro Rata Share. In addition, Tenant shall compensate LAUSD at LAUSD's then prevailing rate for repairs or other work LAUSD reasonably determines is needed to allow a facility, system, equipment, etc. to favorably satisfy the requirements of the Required Regulatory Inspections. LAUSD shall notify Tenant of its proposed schedule to perform the Required Regulatory Inspections, identify the then current, applicable Required Regulatory Inspections, and the rate of compensation Tenant shall pay LAUSD for any work associated therewith or reasonably necessary to allow the facility or improvement to satisfy regulatory requirements or operate in a safe,

sanitary manner. **The provision of the Required Regulatory Inspections by LAUSD and payment for the Required Regulatory Inspections by Tenant is a material provision of and consideration for this Lease. LAUSD is responsible for and may incur liability arising from the Required Regulatory Inspections and may perform such Required Regulatory Inspections at will and at its discretion; PROVIDED, THAT, LAUSD in good faith shall use reasonable effort to perform such Required Regulatory Inspections on a schedule agreeable to Tenant.**

7.13 Deferred Maintenance. The term “**Deferred Maintenance**” shall mean facilities repair or replacement projects as described in Ed. Code section 17582(a) or additionally approved by the State Allocation Board; and further detailed by Office of Public School Construction Deferred Maintenance Program Handbook, as updated from time to time. Those projects include, but are not limited to, work necessary to restore or replace deteriorated or damaged building systems such as plumbing, heating, air conditioning, electrical, roofing, flooring, and wall systems, the exterior and interior painting of school buildings, asphalt paving, the inspection, sampling and analysis of building materials to determine the presence of asbestos-containing materials, the encapsulation or removal of asbestos-containing materials, the inspection, identification, sampling, and analysis of building materials to determine the presence of lead-containing materials, the control, management, and removal of lead-containing materials, or such other items as may be approved by LAUSD’s Board of Education, to such condition that the school buildings may be effectively utilized for their designated purposes.

(a) State Budget Shortfall. Currently, the State of California is experiencing a budget shortfall and through legislative action, school districts are not required to contribute funds towards Deferred Maintenance on an annual basis. LAUSD discloses that LAUSD is not contributing a portion of its general fund or other funds for Deferred Maintenance. LAUSD discloses that there are no plans for Deferred Maintenance for the Leased Premises. For that period during which LAUSD does not contribute a portion of its general fund towards Deferred Maintenance, LAUSD shall not collect from Tenant an amount for Deferred Maintenance.

(b) Bond Funds. LAUSD discloses that for the past several years, Deferred Maintenance for LAUSD schools have been provided through the use of local or state bond funds (“**Bond Funds**”), and LAUSD was not collecting a contribution from charter schools and other users of LAUSD property for Deferred Maintenance. LAUSD discloses that Measure Q was approved by the voters and may be funded in the future when the economy improves. As in the past, if LAUSD has Bond Funds (actual money as opposed to bonds that have been approved but not funded yet) for Deferred Maintenance and LAUSD is not contributing a portion of its general fund towards Deferred Maintenance, LAUSD shall not collect a contribution from Tenant for Deferred Maintenance. Tenant agrees that LAUSD shall be responsible for the performance of Deferred Maintenance paid for with Bond Funds.

(c) LAUSD Funds. Subject to the disclosure in Section 7.13.a above, LAUSD is normally required by the Ed. Code to contribute a portion of its funds for Deferred Maintenance. When LAUSD resumes contributing a portion of its funds for Deferred Maintenance, LAUSD shall notify Tenant of the same and LAUSD shall collect from Tenant and Tenant shall pay to LAUSD a contribution for Deferred Maintenance equivalent to one-half of one percent (0.50%) of the average daily attendance of the School, as such percentage may be amended during the Term of this Lease (“**Tenant DM Contribution**”). The Tenant DM Contribution shall not be considered a Pro Rata Share payment. Tenant shall pay to LAUSD the Tenant DM Contribution before or on the first day of each month of the Term of this Agreement. Tenant agrees that if Tenant refuses or fails to pay the Tenant DM Contribution for any reason, LAUSD shall provide Tenant with written notice of the delinquent payment and Tenant shall remit payment to LAUSD within 10 business days of Tenant’s receipt of said written notice; provided, that, if Tenant does not remit payment to LAUSD within said 10 business days, Tenant hereby authorizes LAUSD to deduct the Tenant DM Contribution from Tenant’s revenue account. If Tenant fails to remit payment of the Tenant DM Contribution three (3) or more times during the Term of this Lease for any reason, Tenant agrees that LAUSD may and authorizes LAUSD to deduct the Tenant DM Contribution from Tenant’s revenue account for a period of one (1) year so long as LAUSD provides Tenant with notice of its election; provided, that, one (1) year after the effective date of LAUSD’s election to deduct the monthly Tenant DM Contribution from Tenant’s revenue account, Tenant may elect to resume paying to

LAUSD the monthly Tenant DM Contribution and LAUSD shall not deduct the Tenant DM Contribution beginning with the next calendar month after the receipt of Tenant's election. The foregoing process may be repeated throughout the Term of this Lease.

Tenant shall not be obligated to pay the Tenant DM Contribution if LAUSD includes Deferred Maintenance as a per-square-foot rate in the facilities cost under Prop. 39 for an identified school year and Tenant is paying Pro Rata Share based on said facilities cost.

(d) Deferred Maintenance Plan. When funding for Deferred Maintenance becomes available, LAUSD shall prepare a plan for Deferred Maintenance as required by the Ed. Code ("**Deferred Maintenance Plan**") for LAUSD property, which may include the Leased Premises. As of the date of this Agreement, the last Deferred Maintenance Plan with allocated funding for identified services and/or projects is available for review at [www.laschools.org](http://www.laschools.org) (click on Maintenance & Operations) and such Deferred Maintenance Plan did not include the Leased Premises and the Project did not exist and is currently being constructed. The Deferred Maintenance Plan shall include a schedule and description of Deferred Maintenance to be delivered by LAUSD to the Leased Premises if the Leased Premises is eligible for inclusion; provided, however, that LAUSD discloses and Tenant acknowledges that the Leased Premises may not be scheduled for any Deferred Maintenance.

(e) LAUSD Responsibility for Deferred Maintenance. During the Term of this Lease and subject to funding for Deferred Maintenance, LAUSD shall be responsible to perform the Deferred Maintenance for the Leased Premises if the Leased Premises is included in LAUSD's Deferred Maintenance Plan pursuant to Section 17582 of the Ed. Code. If Bond Funds or Deferred Maintenance funds are not available, Tenant has not paid to LAUSD the Tenant DM Contribution, or the facility or improvement is ineligible for the use of Deferred Maintenance funds, Tenant shall be responsible to provide to LAUSD sufficient funds to perform the Deferred Maintenance. During the Term of this Lease, LAUSD shall have the right to inspect the Leased Premises to identify Deferred Maintenance required and/or recommended for the Leased Premises. Tenant understands and agrees that eligibility for inclusion in LAUSD's Deferred Maintenance Plan is subject to Tenant paying the Tenant DM Contribution and the facility or improvement is one which LAUSD is permitted to spend Deferred Maintenance funds for. LAUSD acknowledges and agrees that it will carry out its responsibilities pursuant to this Section 7.12 in a good and workmanlike manner by properly qualified and licensed personnel and in accordance with all Applicable Law. LAUSD further acknowledges and agrees that all work it is obligated to perform pursuant to this Section 7.12 will be timely commenced and diligently prosecuted through completion.

(f) No Guarantee of Deferred Maintenance. LAUSD discloses and Tenant acknowledges that payment of the Tenant DM Contribution is not a guarantee or assurance the Leased Premises will receive Deferred Maintenance during each year Tenant pays the Tenant DM Contribution. LAUSD operated schools are not guaranteed or assured of Deferred Maintenance during each year that a portion of LAUSD's General Fund is contributed towards Deferred Maintenance. As a disclosure, in years prior to the date hereof, LAUSD has contributed approximately \$30-million towards Deferred Maintenance and together with the State matching funds, approximately \$60-million was available for Deferred Maintenance, which was used to address less than one percent (1%) of the \$6-billion backlog of Deferred Maintenance services and projects for the entirety of LAUSD.

(g) Tenant Input Into Deferred Maintenance Projects. LAUSD discloses that the priority of Deferred Maintenance projects are determined based upon a rating assigned to the condition of the LAUSD school facility ("**Facilities Condition Index**"). LAUSD agrees that if Tenant is paying the Tenant DM Contribution, Tenant shall be consulted in determining the Facilities Condition Index for the Leased Premises and the priority of the performance of Deferred Maintenance on the Leased Premises, if any.

(h) Tenant Responsibility for Deferred Maintenance. Tenant, at its sole cost and expense, shall be solely responsible for Deferred Maintenance for those alterations, modifications or improvements to the Leased Premises that Tenant constructs or causes to be constructed so that such alterations, modifications, or improvements shall be in a good, safe and sanitary condition in compliance

with all Applicable Law; provided, that, if the Alterations are of such nature and integration into a facility or improvement on the Leased Premises that it is not possible or prudent for the Deferred Maintenance to be parsed between LAUSD and Tenant, then LAUSD may elect to perform the Deferred Maintenance for the facility or improvement and the Alterations and Tenant shall compensate LAUSD for such services in accordance with LAUSD's then prevailing rate. Deferred Maintenance services and/or projects performed by Tenant shall require the prior review and written approval of LAUSD in the same manner as an Alterations as provided in this Agreement. LAUSD discloses that certain facilities of the School will not be eligible for Deferred Maintenance and LAUSD shall not be required to contribute any funds for Deferred Maintenance which Tenant may undertake for those existing facilities. Notwithstanding this provision, Tenant, at its sole cost and expense, shall remain responsible to operate the Leased Premises, including those facilities which are not eligible for Deferred Maintenance, in a good, safe and sanitary condition.

#### 7.14 Late Payments.

a. Interest. If Tenant fails to pay when due any amounts or charges which Tenant is obligated to pay under the terms of this Lease, the unpaid amounts shall bear interest at the lesser of (a) the rate publicly announced from time to time by the largest (as measured by deposits) chartered bank operating in California, as its prime rate, reference rate or other similar benchmark rate, plus two percent (2%) or (b) the maximum rate then allowed by law ("**Interest Rate**") from the date such amount is due until the date paid.

b. Late Charge. Tenant acknowledges that the late payment of any amounts due hereunder will cause LAUSD to lose the use of that money and incur costs and expenses not contemplated under this Lease, including without limitation, administrative and collection costs, processing and accounting expenses, and late charges that may be imposed on LAUSD by the terms of any encumbrance (and companion promissory note) covering the Leased Premises, the exact amount of which is unknown at this time. Therefore, in addition to interest, if any amounts due hereunder from Tenant are received by LAUSD within five (5) days from the date it is due, or if Tenant fails to pay any other sum of money due hereunder and such failure continues for five (5) days after receipt of written notice thereof from LAUSD, Tenant shall pay LAUSD a late charge equal to 5% of the delinquent amount plus the Interest Rate. LAUSD and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses of and is fair compensation to LAUSD for the loss suffered from such nonpayment by Tenant. Acceptance of any interest or late charge shall not constitute a waiver of Tenant's Event of Default with respect to such nonpayment by Tenant nor prevent LAUSD from exercising any other rights or remedies available to LAUSD under this Lease.

7.15 Disputes as to Payments. Tenant agrees to pay all amounts due hereunder within the time limits set forth in this Lease. If Tenant in good faith disputes whether all or any part of such amounts, fees for services, or other amounts are due and owing, Tenant shall pay the undisputed amount to LAUSD and shall deposit the disputed amount into an escrow with a mutually agreeable escrow company authorized to do business in California, at Tenant's expense. Tenant shall provide LAUSD with a letter or notice entitled "Payment Under Protest" which (a) states that Tenant plans to dispute such payment, (b) includes proof of deposit of funds into escrow provide by the escrow company, and (c) details Tenant's allegations as to why the amounts are not due and/or Tenant is not required to pay the same. The Payment under Protest notice shall be provided to LAUSD by the date that said payment would have been due under this Agreement. The parties shall then proceed to resolve such dispute following the process set forth in Section 25.1 below provided that the disputed amount shall remain in escrow until the payment dispute is resolved either through the dispute resolution process or by a final judgment from a court of competent jurisdiction as herein specified. Any interest accrued on the escrowed funds shall be allocated to the parties proportionally on the same percentage allocation as the disputed payment amount. Any portion of the disputed amount that is awarded to LAUSD shall bear interest at the Interest Rate; provided, that any interest accrued on the escrow funds, or portion thereof, that is awarded to LAUSD shall be deducted from the amount due for the Interest Rate.

7.16 Audit Rights. LAUSD shall maintain books and records reflecting all charges, expenses, costs and fees charged to Tenant in accordance with LAUSD's standard operating procedures

and practice. Tenant and its agent shall have the right from time to time during the Term (and for one (1) year after the Term) to audit and photocopy LAUSD's relevant records at LAUSD's applicable local office upon at least thirty (30) days prior written notice during normal business hours; provided it shall keep the result of its audit confidential to the extent permitted by Applicable Law and shall not retain any auditor whose fee is contingency based. Tenant shall provide to LAUSD a copy of such audit or review. If such audit or review reveals that LAUSD has overcharged Tenant by more than 5% and LAUSD does not dispute the audit or review, then LAUSD shall credit the amount of such overcharge against any other Costs or amounts next due and payable by Tenant under this Lease (except upon the expiration or termination of the Lease, in which event, such overcharged amount shall be promptly paid to Tenant), and LAUSD shall pay the cost of such audit. If such audit or review reveals that LAUSD has undercharged Tenant then Tenant shall reimburse LAUSD the amount of such undercharge and Tenant shall pay the cost of such audit. Tenant shall perform any audit hereunder by using a certified public accountant from any recognized, reputable, third party accounting firm. Notwithstanding anything to the contrary in this Section, Tenant's audit right hereunder is not in lieu of, and does not constitute a waiver or limit in any way Tenant's right to file a request for information under the California Public Records Act (as may be amended from time to time) or other similar Applicable Law.

7.17 Timely Charges. The parties agree that the statute of limitations to collect or dispute amounts due and owing under this Agreement shall be 4 years from the date when said charge accrued.

## ARTICLE 8. COMPLIANCE

8.1 Compliance with Laws. Tenant shall, at its sole cost and expense, promptly comply with all present and future, foreseeable and unforeseeable, laws (including, without limitation, the California Charter School Facilities Program, California Education Code, the California Public Contract Code, the California Building Standards Law and any requirements of the DSA, ordinances, statutes, orders, rules, licenses and regulations and requirements of all federal, state, county and municipal government, courts, departments, commissions, boards and offices, any national or local Board of Fire Underwriters, LAUSD policies (as defined below), and any other governmental body exercising jurisdiction over the Leased Premises or Tenant's operations within the Project (or otherwise exercising functions similar to those of any of the foregoing), including foreseen or unforeseen, ordinary as well as extraordinary, and any covenants or conditions (collectively, "**Applicable Law**"), which may be applicable to (a) the Leased Premises including the improvements thereon or to be constructed thereon, or (b) the use or manner of use of the Leased Premises and/or the Project by Tenant and the occupants thereof (including the use of the Leased Premises as a charter school), whether or not such Applicable Law shall necessitate operational changes, structural changes, repairs or additions to the Leased Premises, the addition of any improvements on the Leased Premises, or the removal of any encroachment or projections, ornamental, structural or otherwise, on the Leased Premises. Tenant shall faithfully observe and comply in all material respects with all Applicable Law in the use and occupancy of the Leased Premises and/or the Project, regulating the use by Tenant thereof. The phrase "**LAUSD policies**" shall mean the any and all policies, bulletins, procedures and other requirements generated by and promulgated by LAUSD to the extent such policies and bulletins (i) affect the health, safety or sanitation at the Leased Premises, or the risk of physical damage thereto, and (ii) apply to Tenant's activities and operational use of the Leased Premises and not to any other location of Tenant.

8.2 Compliance with Charter Petition. Tenant shall, at its sole cost and expense, promptly and at all times comply with the terms and provisions of the charter petition submitted by Tenant to the chartering authority pursuant to Ed. Code Section 47605 *et seq.*

8.3 Continuous Use. Tenant shall uninterruptedly operate the Middle School at the Leased Premises during the Term hereof, except for normal and customary school holidays and days during the traditional summer months when summer school is not in session.

8.4 Name of School. The Middle School and/or the Project shall be named Monseñor Oscar Romero Charter School. LAUSD approves this name.

## ARTICLE 9. ADDITIONS AND ALTERATIONS

9.1 Alterations. Excluding the Project which is subject to the Development Agreement, Tenant may make alterations, additions, or improvements to the Leased Premises (“Alteration” or “Alterations”) upon satisfaction of those terms and conditions which LAUSD may require in addition to all of the following terms and conditions and the satisfaction of Section 9.2 below:

(a) LAUSD Consent. Tenant agrees that no Alterations may occur without the prior written consent of LAUSD, and shall be governed by the procedures in this Article 9 including, without limitation, Section 9.2 below. Prior to the delivery or any supplies or the commencement of construction Tenant shall comply with the process set forth below. Tenant, at Tenant’s sole cost and expense, shall pay all costs related to the Alterations, including costs of planning, design, permitting, insurance and construction. Tenant shall immediately reimburse LAUSD for its costs and expenses reasonably incurred by LAUSD in reviewing and approving the plans and specifications (including the Plans and Specifications under the Development Agreement) for such work or by reason of any faulty work done by Tenant or Tenant’s contractors or by reason of inadequate cleanup or which is otherwise incurred by LAUSD to monitor and inspect the progress of such work. For purposes of this Section 9.1, all references to plans and specifications shall include the Plans and Specification under the Development Agreement.

(b) Compliance. All Alterations, including the construction of such Alterations, shall comply with Applicable Law and LAUSD policies. If the Alterations do not require compliance with the Field Act, the Alterations shall comply with the California Building Standards Code as adopted and enforced by the City of Los Angeles (or any future local building enforcement agency with jurisdiction over the area in which the Leased Premises is located). If the Alterations require the Leased Premises to immediately comply with any Applicable Laws, Tenant, at its sole cost and expense, shall comply with and satisfy such statute, ordinance, rule and/or regulation, or may elect not to construct its Alterations. As an example, and not as a limitation on the construction of this provision or an admission, if an Alteration causes the Leased Premises to immediately comply with the Americans with Disabilities Act, Tenant shall bear the sole expense of compliance or may elect not to construct the Alteration.

(c) Ownership of Alterations. Unless otherwise agreed by the parties in writing, Tenant maintains its ownership rights in any Alterations and may be allowed to remove the same at termination of this Agreement so long as Tenant, at its sole cost and expense, restores the Leased Premises to the condition existing prior to the Alteration, reasonable wear and tear excluded. The term “Leased Premises” as previously defined shall be construed to include any Alterations that Tenant may cause to occur during the Term and shall not be construed to convey ownership of any Alterations from Tenant to LAUSD. Tenant, as the owner of the Alterations, shall solely enjoy those rights and benefits arising from its ownership of the Alterations and correspondingly, shall solely bear the responsibilities and liabilities arising from the Alterations.

(d) Permits and Approvals. Tenant, at its sole cost and expense, shall be responsible for obtaining all governmental permits and approvals, including DSA approval, for the Alterations, including all plans and drawings, to the full extent necessary pursuant to Applicable Laws. LAUSD discloses that DSA does not review plans and specifications for items such as, but not limited to, compliance with local ordinances, geotechnical, grading and drainage designs, storm water management, electrical, mechanical and plumbing. If the Alterations do not require DSA approval or DSA does not review such items, Tenant shall obtain the permits and approvals from the building enforcement agency with jurisdiction over the area in which the Leased Premises is located. Tenant shall provide LAUSD with complete copies of all such permits and approvals prior to commencing construction of the Alterations.

(e) Performance Bond. Prior to and throughout the construction of any Alterations, Tenant, at its sole cost and expense, shall: (i) obtain and provide to LAUSD a payment and/or performance bond (or a suitable dual obligee rider) in a form and by a surety acceptable to LAUSD and in an amount not less than 100% of the estimated cost of such Alterations; or (ii) provide written evidence of sufficient funds in an amount not less than 100% of the estimated cost of such Alterations and the

segregation of such funds for the duration of the construction of the Alterations in a manner acceptable to LAUSD to prevent the use of such funds prior to completion of construction.

(f) Insurance. Prior to and throughout the construction of any Alterations, Tenant, at its sole cost and expense, shall provide and keep in force: (i) "all risks" builder's risk insurance, including vandalism and malicious mischief, covering improvements in place and all material and equipment at the job site, (ii) workers' compensation insurance covering all persons employed in connection with the work in compliance with Applicable Laws, and (iii) commercial general liability insurance including bodily injury, property damage and automobile liability, in an amount acceptable to LAUSD, such insurance to remain in full force and effect until such Alterations shall have been completed and fully insured as hereinafter provided. A copy of said insurance shall be delivered to LAUSD prior to the commencement of any work or the delivery of materials or supplies.

(g) Notice of Non-Responsibility. Prior to the commencement of any Alterations, including the delivery of any materials, for which a claim or lien may be filed, Tenant shall provide LAUSD with notice of the intended commencement of any work to enable LAUSD to post notices of non-responsibility or any other notices which LAUSD deems necessary for the proper protection of LAUSD's interest in the Leased Premises, and LAUSD shall have the right to enter the Leased Premises during normal business hours and post such notices.

(h) Work. All Alterations shall be constructed of new materials and done in a good and workmanlike manner by properly qualified and licensed personnel, and such work shall be diligently prosecuted to completion. Any work not acceptable to any governmental authority or agency having or exercising jurisdiction over such work as a permitting agency, shall be promptly replaced and corrected at Tenant's sole cost and expense.

(i) Contracts. All contracts entered into by Tenant related to the design and construction of the Alterations shall be freely assignable to LAUSD without Tenant's consent or the consent of the contracting party and without the payment of any fee whatsoever; provided, that this provision does not require Tenant to assign said contracts to LAUSD at this time but rather, only after a default by Tenant under this Lease and upon receipt of notice from LAUSD. In addition, Tenant agrees that it shall competitively bid the general construction contract and any other contracts if required by Applicable Laws.

(j) Construction Personnel. The architect, construction manager, general contractor for construction, each subcontractor listed by the contractor in the bid(s) to be accepted by Tenant or subcontractors substituted pursuant to the Subletting and Subcontracting Fair Practices Act, engineer, consultant and professional retained for the Alterations (collectively referred to as the "Construction Personnel") shall be licensed, if applicable, in good standing and authorized to do business in the State of California.

(k) Labor Compliance. If the Alterations constitute public works under the Labor Code, then prevailing wages must be paid. In this instance, Tenant shall cause all parties entering into a contract with Tenant for the design, preconstruction, and construction of the Alterations to pay prevailing wages. If it is determined that LAUSD must handle the labor compliance program for any Alterations by Tenant, Tenant agrees to be subject to and bound by the labor compliance program operated by LAUSD. Tenant shall pay all costs incurred by LAUSD's labor compliance program to monitor and enforce prevailing wages for the Alterations. Such costs shall be separate from any wage and penalty assessment issued by LAUSD's labor compliance program to Tenant or any of Tenant's contractors or subcontractors for violations of the Labor Code.

9.2 Process. Tenant shall comply with the following general review and approval process for any proposed Alterations:

(a) Project Scope. Tenant shall submit to LAUSD a description of the scope of the proposed Alterations ("**Project Scope**") and a fee (payable by certified check) to be established by



LAUSD for its review of the Project Scope. LAUSD will provide Tenant with a fee schedule associated with Project Scope review. The Project Scope shall contain at a minimum the scope and nature of the proposed Alteration, the estimated timeline for construction, the intended use of the Alteration and the estimated total cost of construction of the Alterations. Within 15 business days of Tenant's submittal of the Project Scope and fee, LAUSD shall review the Project Scope and issue a written statement:

- (i) Determining whether the Alterations or portions thereof require DSA review and approval;
- (ii) Determining whether the Alterations or portions thereof require LAUSD review and approval, and an estimate of LAUSD's fee (payable by certified check) to review those items not requiring DSA approval;
- (iii) Determining whether the Alterations or portions thereof require the review and approval of the building enforcement agency with jurisdiction over the area in which the Leased Premises is located; or
- (iv) Determining that the Project Scope is rejected and/or denied by LAUSD in its sole and absolute discretion.

If LAUSD fails to provide any of the foregoing responses to Tenant within said 15 business day period, Tenant may proceed to DSA or the appropriate building enforcement agency with jurisdiction over the Alterations. Notwithstanding, the foregoing does not negate Tenant's obligation to comply with subsection (b) below.

(b) Review and Approval. Tenant, at its sole cost and expense, shall submit the Alterations, or portions thereof, to LAUSD and DSA or the building enforcement agency with jurisdiction over the area in which the Leased Premises is located, as applicable, for review and approval prior to commencement of construction or the delivery of any materials or supplies to the Leased Premises.

If the Alterations require DSA review and approval, LAUSD shall review the submitted plans and specifications, and request clarifications or revisions, approve with conditions or disapprove the plans and specifications for the proposed Alterations within the same time period as the DSA review or prior to DSA review, whichever is more appropriate. If the Alterations do not require DSA review and approval, LAUSD shall use reasonable efforts to review the submitted plans and specifications, and request clarifications or revisions, approve with conditions or disapprove the plans and specifications for the proposed Alterations within 30 days of the submittal of the plans and specifications and the certified check paying the fee referenced in Section 9.2(a)(ii) above. The 30 day review period referenced herein shall be extended by an equivalent number of business days that LAUSD or its civil engineering department is closed for business. As an example, and not as a limitation, LAUSD shuts down its business operations between Christmas and New Year as a budget saving measure.

(c) Inspections. Notwithstanding any provision contained herein, Tenant agrees that the Alterations shall not be used or put into operations prior to inspection and final clearance by DSA, if applicable, and LAUSD and/or the building enforcement agency with jurisdiction over the area in which the Leased Premises is located.

Tenant, at its sole cost and expense, shall pay for the DSA inspector of record or, if unavailable, a DSA inspector selected from LAUSD's approved DSA inspectors list or, if the DSA inspector is not on LAUSD's approved list, as reasonably approved by LAUSD to inspect the Alterations during construction and after completion; provided, that, if the DSA inspectors employed by LAUSD do not have availability for Tenant's Alteration(s), Tenant, at its sole cost and expense, shall retain a DSA inspector reasonably approved by LAUSD to inspect the Alteration(s) during construction and after completion. The DSA inspector shall be permitted to access the Project at all times during construction, which access shall be coordinated between the DSA inspector and Tenant, and Tenant shall provide notice to all other co-located users (if any) of the Leased Premises.

Neither LAUSD's right to make such inspections nor the making of such inspections, regardless of any assertions that such inspections amount to unauthorized supervision of construction, or the supervision of construction by the DSA Inspector, shall operate as a waiver of any rights of LAUSD to require that construction be accomplished with new materials, and executed in a good and workmanlike manner in accordance with the plans in all material respects, and Applicable Laws.

(d) Close-Out. Within 30 business days after completion of construction of any Alterations, Tenant, at its sole cost and expense, shall, if applicable, cause a Notice of Completion to be recorded in the office of the Recorder of Los Angeles County in accordance with section 3093 of the Civil Code, or any successor statute, and shall furnish a copy thereof to LAUSD upon such recordation. At the conclusion of construction of Alterations, Tenant, at its sole cost and expense, shall:

(i) cause the contractor that built the Alterations to (A) update all construction documents related to the Alterations as necessary to reflect all changes made to the construction documents during the course of construction, (B) forward the "record-set" to Tenant's architect of record who will prepare a final set of "as-built" drawings, and (C) deliver to LAUSD one (1) set of record-set of drawings (which shall be the DSA approved transparencies which the architect of record has recorded all of the as-built conditions and each sheet shall have the DSA application number and stamped "As-Built") and one (1) CD containing said record-set of drawings within 90 days following substantial completion of the Alterations; and

(ii) Tenant shall maintain a copy of all warranties, guaranties, and operating manuals and information relating to the Alterations and deliver a copy of the same to LAUSD.

9.3 No LAUSD Liability. Tenant understands and agrees that LAUSD is not a guarantor of, nor responsible for, the construction of the Alterations as completed, or the compliance thereof with Applicable Laws. LAUSD shall not incur liability of any kind by reviewing or otherwise allowing construction of the Alterations and Tenant shall indemnify and defend LAUSD from any and all liability, claims or damages that may arise directly or indirectly from the Alterations, except to the extent that such liability, claim or damages arise from LAUSD's gross negligence or willful misconduct.

9.4 No Portable Buildings or Classrooms. Tenant shall not permit the placement, storage or use of portable buildings or classrooms on the Leased Premises regardless that such portable building(s) or classroom(s) would support Tenant's use, without LAUSD's prior written consent which LAUSD may withhold in its sole and absolute discretion.

9.5 General. In addition to the terms and conditions specified in this Article 9, LAUSD may also require such additional items or assurances as LAUSD in its sole discretion may deem reasonable or desirable in connection with any Alterations to the Leased Premises.

## ARTICLE 10. SURRENDER; END OF THE TERM

10.1 Surrender of Leased Premises. On the last day of the Term hereof, Tenant shall surrender to LAUSD the Leased Premises, vacant and in the same condition as at Substantial Completion of the Project (as defined in the Development Agreement), ordinary wear and tear, and casualty damage excepted, free and clear of any liens or encumbrances. All Alterations made by or for Tenant, whether temporary or permanent in character, made either by LAUSD or Tenant, shall be LAUSD's property, and shall be surrendered to LAUSD in good condition upon expiration of the Term or termination of this Lease without compensation to Tenant, ordinary wear and tear, and casualty damage excepted. Prior to the expiration of the Term, Tenant shall remove completely all of Tenant's Property and repair all damage caused by such removal. Any of Tenant's Property not so removed shall, at the option of LAUSD, automatically become the property of LAUSD upon the expiration or termination of this Lease. Thereafter, LAUSD may retain or dispose of in any manner the personal property not so removed, without any notice or liability whatsoever to Tenant.

10.2 Removal of Property. “**Tenant’s Property**” shall mean such machinery, furniture, equipment, inventory, trade fixtures and personal property which exists on or about the Leased Premises and which was paid for solely by Tenant. Tenant’s Property shall be removed by Tenant upon the last day of the Term. Tenant shall repair any damage to the Leased Premises occasioned by the removal of Tenant’s Property, which repair shall include the patching and filling of holes and repair of structural damage. Any property not removed by Tenant from the Leased Premises within 30 days after the end of the Term shall be conclusively presumed to have been abandoned by Tenant.

10.3 Compliance with Applicable Law. All removal of Tenant’s Property is subject to Applicable Law, including any local permits (which shall be obtained at Tenant’s expense) and/or approval by the DSA.

10.4 Joint Use Facilities. Notwithstanding the fact that portions of the Joint Use Facilities may be constructed, installed or improved by Tenant, LAUSD Shall have sole ownership and control of the Joint Used Facilities and all improvements located thereon or therein.

#### ARTICLE 11. HOLDING OVER

11.1 Holding Over. Tenant shall surrender possession of the Leased Premises immediately upon the expiration of the Term or earlier termination of this Lease. Tenant will not be permitted to hold over possession of the Leased Premises after the expiration or earlier termination of the Term without the express written consent of LAUSD, which consent LAUSD may withhold in its sole and absolute discretion. Any holdover by Tenant shall constitute a material breach of this Lease by Tenant entitling LAUSD to pursue any and all remedies available at law and in equity including, without limitation, consequential damages resulting there from. If Tenant remains in possession of the Leased Premises after the expiration of the Term or earlier termination of the Lease, Tenant, at LAUSD’s sole and absolute option, shall be deemed to be occupying the Leased Premises under a month-to-month tenancy at sufferance, subject to all the terms and conditions of this Lease, except that for each month during the hold over period Tenant shall owe Landlord a monthly penalty amount deemed to be the higher of the rent charged by LAUSD for other Charter middle schools in the District, but in no event less than the market rate rent charged for commercial property on a price per square foot basis within a 1 mile radius of the Premises.

11.2 No Extension of Lease. No payment of money by Tenant to LAUSD after the termination of the Lease by LAUSD, or after the giving of any notice of termination to Tenant by LAUSD which LAUSD is entitled to give Tenant under the Lease, shall reinstate, continue or extend the Term of the Lease or shall affect any such notice given to Tenant prior to the payment of such money, it being agreed that after the service of such notice or the commencement of any suit by LAUSD to obtain possession of the Leased Premises, LAUSD may receive and collect when due any and all payments owed by Tenant under the Lease, and otherwise exercise its rights and remedies. The making of any such payments by Tenant shall not waive such notice, or in any manner affect any pending suit or judgment obtained.

#### ARTICLE 12. LAUSD’S ACCESS

12.1 Entry. From and after the Term Commencement Date and notwithstanding delivery of the Leased Premises to Tenant, LAUSD and its authorized representatives shall have the right, after twenty-four hours prior written notice to Tenant, to enter the Leased Premises for the purpose of inspecting the Leased Premises (“**Inspection**”) or to access the reserved areas described in Section 1.2 above (including but not limited to the Utilities serving the Project) or if necessary to make repairs to the Project or the Leased Premises as herein required or allowed (and Tenant may have a representative present during such Inspections or repairs); provided, however, that in an emergency situation, no prior notice shall be required. If Tenant is violating the use restrictions of this Lease or is not in material compliance with Applicable Law, then all reasonable costs and expenses reasonably and actually incurred by LAUSD in connection with any Inspection shall become due and payable by Tenant as an additional payment due to LAUSD, within 10 business days of presentation by LAUSD of a written invoice

therefore. If Tenant shall not be present to open and permit an entry into the Leased Premises in an emergency situation as reasonably determined by LAUSD, LAUSD may enter by means of a master key without liability to Tenant and without affecting this Lease.

12.2 Right to Perform. If Tenant fails to perform any covenant or condition to be performed by Tenant, after the expiration of all reasonable cure and notice periods, LAUSD and its authorized representative shall have the right, after reasonable prior written notice to Tenant, to enter the Leased Premises during normal business hours for the purpose of performing such covenant or condition at its option after 10 days' written notice to and failure to perform by Tenant (provided, no prior notice is required in the case of emergencies). All costs incurred by LAUSD in so performing shall be reimbursed to LAUSD by Tenant within 10 business days of written demand therefore, together with interest at the Interest Rate computed from the date incurred by LAUSD until paid. Any performance by LAUSD of Tenant's obligations shall not waive or cure such default. LAUSD may perform Tenant's defaulted obligations at Tenant's sole cost and expense without notice in the case of any emergency. All reasonable out-of-pocket costs and expenses actually incurred by LAUSD, including reasonable attorneys' fees (whether or not legal proceedings are instituted), in collecting Costs and other sums due hereunder or enforcing the obligations of Tenant under the Lease, shall be paid by Tenant to LAUSD within 10 business days of written demand therefore.

LAUSD may, during the progress of such work, keep and store on the Leased Premises all necessary materials, tools, supplies and equipment. Except to the extent of LAUSD's gross negligence or willful misconduct, LAUSD shall not be liable for inconvenience, annoyance, disturbance, loss of business or other damage of Tenant by reason of making such repairs or the performance of any such work.

12.3 Other. LAUSD shall have the right to enter the Leased Premises after giving reasonable prior notice to Tenant, at all reasonable times during usual business hours for the purpose of exhibiting or otherwise showing the Leased Premises to interested parties. LAUSD will endeavor to give Tenant 24 hours prior written notice of such showings.

12.4 Entry Related to Middle School Operations. Notwithstanding any provision of this Lease, LAUSD, in its capacity as the chartering authority, shall have the right to enter the Leased Premises to inspect Tenant's operations, with or without notice to Tenant, as permitted by Tenant's charter petition and as may be permitted by the Ed. Code and regulations thereto. No provision contained herein shall be construed to deny or limit the right of LAUSD, in its capacity as the chartering authority, to enter the Leased Premises to inspect Tenant's operations of the Middle School.

12.5 LAUSD's Conduct. At any time after the Term Commencement Date that LAUSD or its representatives enter the Leased Premises or exercise any other rights of landlord under this Lease, they shall use their best efforts not to disturb or interfere with Tenant's access to, or use and occupancy of the Leased Premises.

## ARTICLE 13. LIENS

13.1 Liens. Tenant shall not suffer or permit any liens to stand against the Leased Premises, or any part of the Project, by reason of any work, labor, services or materials done, or supplied, or claimed to have been done or supplied. If any such lien shall at any time be filed against the Leased Premises or Project, Tenant shall provide LAUSD written notice thereof as soon as notice of such lien or action comes to the knowledge of Tenant and commence an action to cause the same to be discharged of record within 30 days after the date of the filing of same and diligently pursue the discharge of such liens. Nothing in this Lease shall imply any consent or agreement on the part of LAUSD to subject its estate in the Leased Premises or the Project to liability under any mechanics' lien law or to any contractor or laborer for work performed.

13.2 Release of Liens by LAUSD. If Tenant fails to commence an action to discharge a lien within 30 days after the date of the filing of same and diligently pursue the lien's discharge, and such

lien is not so discharged within 90 days after the date of the filing of the same, LAUSD may, without waiving its rights and remedies based on such breach of Tenant and without releasing Tenant from any of its obligations, cause such lien to be released by any reasonable means, including payment in satisfaction of the claim giving rise to such lien. Tenant shall pay to LAUSD within 10 days of written demand therefore, any sum paid by LAUSD to remove such liens, together with interest at the Interest Rate from the date of such payment by LAUSD. Except to the extent of LAUSD's gross negligence or willful misconduct, Tenant shall indemnify, defend and protect (by counsel reasonably approved in writing by LAUSD) against and keep LAUSD free and harmless from all liability, loss, damage, costs, attorneys' fees and any other expense incurred on account of claims by any person performing work or furnishing materials or supplies for Tenant or any person claiming under Tenant.

ARTICLE 14. ALLOCATION OF RISK

14.1 Release. Except to the extent of LAUSD's Parties' gross negligence or willful misconduct, Tenant, as a material part of the consideration to LAUSD hereunder, hereby assumes all risk of damage to Tenant's Property or the Leased Premises, and Tenant hereby waives any and all claims against LAUSD, or LAUSD's agents, contractors, employees, licensees, directors, officers, partners, trustees, visitors or invitees and their successors and assigns ("**LAUSD Parties**") for any and all loss, cost, liability, damage or expense, including, but not limited to, penalties, fines, reasonable attorneys' fees or costs (collectively "**Claims**"), arising out of or in connection with damage or destruction to Tenant's Property and the Leased Premises. Except to the extent of LAUSD's Parties' gross negligence or willful misconduct, LAUSD shall not be liable for and Tenant hereby waives all claims against LAUSD for injury, illness or death of any person in, upon or about the Leased Premises arising at any time and from any cause whatsoever, and LAUSD shall not be liable for and Tenant hereby waives all Claims (as hereinafter defined) against LAUSD arising in any way due to, in connection with or related to, directly or indirectly, the operation by Tenant of the Middle School or any other operations by Tenant at the Leased Premises.

MORCS HEREBY ASSUMES SUCH RISK AND AGREES THAT THE RELEASE CONTAINED IN THIS SECTION SHALL APPLY TO ALL UNKNOWN OR UNANTICIPATED CLAIMS, AS WELL AS THOSE KNOWN AND ANTICIPATED, AND MORCS DOES HEREBY WAIVE ANY AND ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SEC. 1542, WHICH SECTION HAS BEEN DULY EXPLAINED AND READS AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

\_\_\_\_\_  
MORCS Initials

14.2 Indemnity. To the fullest extent permitted by law and except to the extent of LAUSD's Parties' gross negligence or willful misconduct, Tenant shall indemnify, defend and protect the LAUSD Parties and hold the LAUSD Parties harmless from any and all Claims incurred in connection with or arising from any cause (i) in the use or occupancy by Tenant of the Project (including, without limitation, the operation by Tenant of the Middle School) or (ii) in connection with the operations by Tenant at the Leased Premises and/or on or about the Joint Use Facilities, including, without limiting the generality of the foregoing: (a) any default by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease on Tenant's part to be observed or performed; (b) the use or occupancy of the Leased Premises by Tenant or any person claiming by, through or under Tenant or Tenant's employees, agents, contractors, licensees, directors, officers, partners, trustees, visitors or invitees or any such person in, on or about the Leased Premises either prior to, during, or after the

expiration of the Term of the Lease (singularly, "**Liability**"; collectively, "**Liabilities**"); and (c) any claim by a third party that any LAUSD Party is responsible for any actions by Tenant in connection with any use or occupancy of the Leased Premises or in any way related to this Lease.

When required hereunder, Tenant shall, upon request by any LAUSD Party, undertake the defense of any Liabilities threatened or asserted against such LAUSD Party on the following terms and conditions:

a. Notice of the assumption of such defense ("**Notice**") shall be delivered to LAUSD within 15 days after transmittal by the LAUSD Party of a request that Tenant defend such Liability;

b. Such defense shall be conducted by reputable attorneys retained by Tenant selected from an approved list provided by LAUSD and with the prior written approval of all the LAUSD Parties against whom such Liability has been asserted or threatened, all at Tenant's sole cost and expense. In the event the interests of Tenant and any such LAUSD Parties in the action conflict in such manner and to such an extent as to require, consistent with applicable standards of professional responsibility, the retention of separate counsel for any of the LAUSD Parties involved in the action, Tenant shall pay all fees and costs charged or incurred by separate counsel chosen by LAUSD.

c. Tenant agrees promptly to notify the LAUSD Parties of the commencement of any litigation or proceedings pending, threatened or commenced (whether or not served) against Tenant, or any of the directors, officers, agents or employees of Tenant, in connection with the Leased Premises.

Notwithstanding anything to the contrary set forth in this Lease, Tenant agrees that this Article 14 applies to and include any act or failure to act by the Middle School regardless of whether the Middle School is deemed to be a legal entity separate and distinct from Tenant. This Article 14 shall survive the expiration or earlier termination of this Lease.

## ARTICLE 15. DAMAGE AND DESTRUCTION

15.1 Notice of Damage or Destruction. Tenant shall provide to LAUSD written notice of any damage or destruction of the Leased Premises or any part thereof by fire or other cause. Tenant shall deliver said notice to LAUSD within twenty-four (24) hours of the occurrence of the damage, destruction or other cause. Immediately after the occurrence of any damage or destruction of the Leased Premises or any part thereof by any cause, Tenant, at its sole cost and expense, shall perform or caused to be performed those acts reasonably necessary to secure the Leased Premises in a safe and clean condition; provided, that all such acts shall be in compliance with Applicable Laws, ordinances, rules and regulations and LAUSD standards and policies.

15.2 Obligation to Repair. In case of damage to or destruction of the Leased Premises or any part thereof by fire or other cause at any time during the Term of this Lease, Tenant, at Tenant's sole cost and expense, and shall restore the same as nearly as possible to their value, condition and character immediately prior to such damage or destruction, and this Lease shall continue in full force and effect. Such restoration shall be commenced within 90 days of the occurrence of the damage or destruction and prosecuted with due diligence to completion; provided, that LAUSD and Tenant may agree to a different timeline if the nature of the damage or destruction is of such magnitude that a longer period of time is warranted and reasonable. No loss or damage by fire or other casualty resulting in either partial or total destruction of all or part of the Leased Premises shall operate to terminate this Lease or relieve or discharge Tenant from its obligations hereunder, except that Tenant shall be relieved of any payments due to Landlord based on use or maintenance of the affected portion of the Leased Premises. Notwithstanding the foregoing, if an event of damage or destruction damages not only the Leased Premises, but any other portion of the Property, then LAUSD shall have the right to cause Tenant to assign the insurance proceeds to LAUSD so that LAUSD may cause the restoration (as defined below) of the Leased Premises to be undertaken and completed in conjunction with the restoration of the Property.

15.3 Insurance Proceeds.

a. Use of Insurance Proceeds. All insurance proceeds paid either to Tenant or its agents, employees, assigns or successors in interest or to Landlord as above contemplated on account of any damage or destruction together with the amount of the deductible (but less the reasonable actual cost, fees and expenses, if any, incurred in connection with the adjustment of the loss, which costs, fees and expenses shall be reimbursed to the party incurring such expenses) shall first be applied to the payment of the cost of the restoration or repairs of such damage or destruction and other insured losses, costs and expenses. Such work may include the cost of demolition and temporary repairs and for the protection of the Project and property pending the completion of permanent restoration, repairs, replacements, rebuilding or alterations (all of which temporary repairs, protection of property and permanent restoration, repairs, replacement, rebuilding or alterations are hereinafter collectively referred to as the “**restoration**”). Such proceeds shall be held by a trustee (which trustee may be but shall not be automatically designated as LAUSD), as mutually agreed upon by LAUSD and Tenant, and shall be paid out from time to time to Tenant or to Landlord as herein provided, as such restoration progresses.

b. Insufficient Insurance Proceeds. In the event the insurance proceeds are insufficient and Tenant declines to pay the deficiency, Tenant shall inform LAUSD and all applicable governing State agencies of its intention not to cause the restoration of the Leased Premises and its desire to terminate this Lease. Either Tenant or LAUSD may terminate this Lease upon satisfaction of all of the following:

(i) Delivery of a “Notice of Termination” to the other party. A “**Notice of Termination**” shall be in writing, designate the date when the termination shall be effective, and a plan and timeline for the demolition and removal of the damage or destruction so that the remaining portions of the Project, if any, are in a good, clean and safe condition; normal wear and tear and casualty damage excepted provided, that if LAUSD is the party providing the Notice of Termination to Tenant, Tenant shall provide to LAUSD an acceptable and reasonable plan and timeline within thirty (30) days of Tenant's receipt of LAUSD's Notice of Termination;

(ii) Tenant and LAUSD shall execute and deliver to each other a release of any and all rights under this Lease and to otherwise possess and occupy the Leased Premises except for those obligations which expressly survive the expiration or termination of this Lease;

(iii) Tenant shall assign and/or remit to LAUSD all proceeds from the insurance maintained by Tenant for the Leased Premises, along with an amount equal to its deductible, and LAUSD shall utilize the same in the following order of priority:

(A) If Tenant did not secure the Leased Premises in a safe condition immediately after the damage, destruction or other casualty, LAUSD shall use the insurance proceeds to secure the Leased Premises in a safe condition; provided, that if LAUSD secured the Leased Premises in a safe condition, LAUSD may be reimbursed its actual costs and expenses incurred in securing the Leased Premises;

(B) In accordance with California Education Code Section 17078.62(b)(2), any qualifying successor charter school may meet its facility needs by occupying the Leased Premises on equal terms of Tenant, which shall require said successor charter school to cause the restoration of the Leased Premises as provided by this Lease; provided, that in such situation, LAUSD and said successor charter school shall agree upon the work and timeline for the restoration of the Leased Premises and the disbursement of the remaining insurance proceeds for LAUSD's costs and expenses in observing the requirements of California Education Code Section 17078.62(b)(2) and toward the restoration of the Leased Premises by the successor charter school;

(C) If neither the State or LAUSD can locate a qualifying successor charter school in accordance with California Education Code Section 17078.62(b), LAUSD shall be entitled to a reimbursement of its actual costs and expenses incurred in observing California Education Code Section 17078.62(b)(2) from the insurance proceeds;

(D) If LAUSD elects to take possession of the Leased Premises and make the improvements available for use as a LAUSD public school, LAUSD shall have the right to use the insurance proceeds to restore the improvements;

(E) If LAUSD does not elect to take possession of the Leased Premises, LAUSD shall dispose of this Lease with its remaining Term in the manner applicable to the disposal of surplus public school sites. In such situation, the insurance proceeds shall reimburse LAUSD for its actual costs and expenses incurred in observing the requirements of California Education Code Section 17078.62(b) (1) through (5), inclusive, and the disposal of this Lease. Thereafter, LAUSD shall remit to the State any remaining balance of the insurance proceeds and the proceeds from the disposal of this Lease in a manner applicable to the disposal of surplus public school sites.

15.4 Destruction of Tenant's Property. In the event of any damage to or destruction of the Leased Premises, under no circumstances shall LAUSD be required to repair any injury, or damage to, or make any repairs to or replacements of, Tenant's Property, except to the extent such damage or destruction is caused by LAUSD's gross negligence or willful misconduct.

15.5 No Rent Abatement. In the event of a casualty, Tenant shall not be entitled to any abatement of its Pro Rata Share or Tenant's Share except to the extent the casualty deprives Tenant of use of all or a portion of the Leased Premises, in which event Tenant shall not be obligated to pay Pro Rata Share or Tenant's Share for the portion of the Leased Premises rendered unusable by such casualty.

15.6 Exclusive Remedy. This Article 15 shall be Tenant's sole and exclusive remedy in the event of damage or destruction to the Leased Premises, and Tenant, as a material inducement to LAUSD entering into this Lease, irrevocably waives and releases Tenant's rights under California Civil Code Sections 1932(2) and 1933(4). No damages, compensation or claim shall be payable by LAUSD for any inconvenience, any interruption or cessation of Tenant's business, or any annoyance, arising from any damage to or destruction of all or any portion of the Leased Premises, except to the extent the same is caused by LAUSD's gross negligence or willful misconduct.

## ARTICLE 16. EMINENT DOMAIN.

16.1 Termination of Lease. This Lease shall terminate if all of the Leased Premises is permanently taken under the power of eminent domain. This Lease shall not terminate if only a part of the Leased Premises is permanently taken under the power of eminent domain. If only a portion of the Leased Premises is permanently taken, this Lease shall continue; provided, however, if such portion of the Leased Premises is permanently taken such that the Middle School can no longer be operated in the manner and to the standards of the Tenant prior to such condemnation, either party may elect to terminate this Lease on 90 days prior written notice to the other. In the event of a permanent partial taking which does not result in a termination of this Lease, Tenant's Pro Rata Share and its Tenant's Share (to the extent imposed) shall be proportionately reduced based on the portion of the Leased Premises rendered unusable, and Tenant, at its sole cost and expense, shall restore the Leased Premises in a manner reasonably acceptable to Landlord to separate the Leased Premises from the portion permanently taken.

16.2 Allocation of Condemnation Award. In the event of a permanent condemnation or taking of all or part of the Leased Premises, LAUSD shall be entitled to any award which may be made in such taking or condemnation to the extent such award relates to the fee title to the Leased Premises or any other part of the Property. Tenant shall be entitled to any award which may be made in such taking or condemnation to the extent it relates to the value of all or any part of the unamortized value of the Alterations or improvements made by Tenant pursuant to this Lease to the Development Agreement (assuming the value of such Alterations or improvements is made on a straight line basis over the balance of the term of this Lease at the time of such condemnation), provided, however, nothing



contained in this Article 16 shall reduce or serve to reduce the award granted to LAUSD for the taking of the fee interest in the Property or Project. In the event the condemning authority fails to make an allocation between LAUSD and Tenant, the Parties agree to work in good faith to reasonably allocate the proceeds of such award between themselves.

16.3 Temporary Taking. No temporary taking of the Leased Premises or any part of the Leased Premises and/or of Tenant's rights to the Leased Premises or under this Lease shall terminate this Lease; however, Tenant shall have the right to abatement of any payments owed to LAUSD pursuant to this Lease (including the Development Agreement) with respect to the portion of the Leased Premises temporarily taken; any award made by reason of such temporary taking shall belong entirely to LAUSD, except as to compensation for (i) the temporary taking of Tenant's Personal Property, (ii) interruption of or damage to Tenant's business, or (iii) amounts attributable to Tenant's temporary relocation expenses. As used herein, a temporary taking shall mean any taking or condemnation which occurs for less than 14 consecutive days or 60 cumulative days during the Term.

16.4 Exclusive Remedy. This Article 16 shall be Tenant's sole and exclusive remedy in the event of a taking or condemnation. Tenant hereby waives the benefit of California Code of Civil Procedure Section 1265.130.

#### ARTICLE 17. TENANT'S DEFAULT; LAUSD'S REMEDIES

17.1 Tenant's Default. The occurrence of any one of the following events shall be considered an "**Event of Default**" by Tenant:

a. The failure of Tenant to pay any of the Costs, sum or charges or any other monies to LAUSD, when due hereunder, which failure continues for ten (10) days after written notice thereof by LAUSD to Tenant; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161, and such ten (10) day cure period shall run concurrently with any cure period required under California law, including California Code of Civil Procedure Section 1161;

b. The failure of Tenant to observe or perform any of its other covenants or obligations hereunder, which failure continues for 10 days after written notice thereof by LAUSD to Tenant (unless the nature of the default is such that more than 10 days are required for its cure and Tenant shall have commenced such cure within such 10 day period and thereafter diligently prosecutes the same to completion provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 and such 30 day cure period shall run concurrently with any cure period required under California law, including California Code of Civil Procedure Section;

c. Tenant's abandonment of the Leased Premises by Tenant for a period of 60 consecutive days, it being agreed that the fact that any of Tenant's property remains in the Leased Premises shall not be evidence that Tenant has not vacated or abandoned the Leased Premises; provided, however, any normal School holidays shall not constitute abandonment of the Leased Premises;

d. The making by Tenant of any general assignment or general arrangement for the benefit of creditors; the filing by or against Tenant or any guarantor of this Lease of a petition to have Tenant or any guarantor of this Lease adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant or any guarantor of this Lease, the same is dismissed within 60 days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Leased Premises, or of Tenant's interest in this Lease, where possession is not restored to Tenant within 60 days; or the attachment,

execution or other judicial seizure of substantially all of Tenant's assets located at the Leased Premises or of Tenant's interest in this Lease, where such seizure is not discharged within 60 days;

e. Any failure by Tenant to execute and deliver any statement or document described in Article 21 below within the time periods specified therein, where such failure continues for ten (10) days after delivery of written notice of such failure by LAUSD to MORCS; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 and such ten (10) day cure period shall run concurrently with any cure period required under California law, including California Code of Civil Procedure Section 1161;

f. The making or furnishing by Tenant of any warranty, representation or statement to LAUSD in connection with this Lease, or any other agreement to which Tenant and LAUSD are parties, which is false or misleading in any material respect when made or furnished;

g. The assignment, subletting or other transfer, or any attempted assignment, subletting or other transfer, of this Lease in violation of Article 19.

h. Any default under the Development Agreement or Use Agreement.

#### 17.2 LAUSD Remedies.

a. In the event of any Event of Default by Tenant, LAUSD shall have the right, in addition to all other rights available to LAUSD under this Lease or now or later permitted by law or equity, to terminate this Lease by providing Tenant with a notice of termination. Upon termination, LAUSD may recover any damages proximately caused by Tenant's failure to perform under this Lease, or which are likely in the ordinary course of business to be incurred, including any amount expended or to be expended by LAUSD in an effort to mitigate damages, as well as any other damages which LAUSD is entitled to recover under any statute now or later in effect. In furtherance of the immediately preceding sentence, upon termination of this Lease, LAUSD may recover from Tenant the following damages pursuant to California Civil Code Section 1951.2(a): (i) the worth at the time of award of the unpaid "rent" (or any other unpaid amount due to LAUSD) which had been earned at the time of termination, (ii) the worth at the time of award of the amount by which the unpaid "rent" (or any other unpaid amount due to LAUSD) which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided, (iii) the worth at the time of award of the amount by which the unpaid "rent" (or any other unpaid amount due to LAUSD) for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided and (iv) any other amount necessary to compensate LAUSD for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from. LAUSD's damages include the worth, at the time of any award, of the amount by which the unpaid "rent" for the balance of the term after the time of the award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided. The worth at the time of award shall be determined by discounting to present value such amount at one percent (1%) more than the discount rate of the Federal Reserve Bank in San Francisco in effect at the time of the award. Other damages to which LAUSD is entitled shall earn interest at the Interest Rate. The term "rent" as used in this Section 17 shall be deemed to be and to mean the higher of the Tenant's Pro Rata Share and/or Tenant's Share (as applicable) of the Costs, together with the Supervisorial Oversight Fee and all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others.

b. In accordance with California Civil Code Section 1951.4 (or any successor statute), Tenant acknowledges that in the event Tenant has breached this Lease and abandoned the Leased Premises, this Lease shall continue in effect for so long as LAUSD does not terminate Tenant's right to possession, and LAUSD may enforce all its rights and remedies under this Lease, including the right to recover "rent" as it becomes due under this Lease. Acts of maintenance or preservation or efforts to re-let the Leased Premises or the appointment of a receiver upon initiative of LAUSD to protect LAUSD's interest under this Lease shall not constitute a termination of Tenant's right to possession. In

addition to its other rights under this Lease, LAUSD has the remedy described in California Civil Code Section 1951.4 (LAUSD may continue this Lease in effect after Tenant 's breach and abandonment and recover "rent" as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations).

c. In the event of any default by Tenant beyond all applicable cure periods, LAUSD shall also have the right, with or without terminating this Lease, to enter the Leased Premises and remove all persons and personal property from the Leased Premises or any of Tenant's Property located on or about the Project, such property being removed and stored in a public warehouse or elsewhere at Tenant's sole cost and expense. No removal by LAUSD of any persons or property in the Leased Premises or elsewhere in the Project shall constitute an election to terminate this Lease. Such an election to terminate may only be made by LAUSD in writing, or decreed by a court of competent jurisdiction. LAUSD's right of entry shall include the right to remodel the Leased Premises and re-let the Leased Premises. All costs incurred in such entry and re-letting shall be paid by Tenant. Any sums collected by LAUSD from any other tenant that occupies the Leased Premises shall be offset against the amounts owed to LAUSD by Tenant. Tenant shall be responsible for any amounts not recovered by LAUSD from any other tenants. Any payments made by Tenant shall be credited to the amounts owed by Tenant in the sole order and discretion of LAUSD, irrespective of any designation or request by Tenant. No entry by LAUSD shall prevent LAUSD from later terminating this Lease by written notice.

d. Tenant hereby waives, for itself and all persons claiming by and under Tenant, all rights and privileges which it might have under any present or future law to redeem the Leased Premises or to continue this Lease after being dispossessed or ejected from the Leased Premises.

e. If Tenant fails to perform any covenant or condition to be performed by Tenant, LAUSD may perform such covenant or condition at its option, after notice to Tenant. All costs incurred by LAUSD in so performing shall be reimbursed to LAUSD by Tenant within 10 business days of written demand therefore, together with interest at the Interest Rate computed from the date incurred by LAUSD. Any performance by LAUSD of Tenant's obligations shall not waive or cure such default. In the case of any emergency as reasonably determined by LAUSD, LAUSD may perform Tenant's obligations at Tenant's sole cost and expense without notice and without waiting thirty (30) days for Tenant to perform such obligation. All out-of-pocket, reasonable costs and expenses actually incurred by LAUSD, including reasonable attorneys' fees (whether or not legal proceedings are instituted), in collecting any payments due or enforcing the obligations of Tenant under this Lease shall be paid by Tenant to LAUSD within 10 business days of written demand therefor.

f. Tenant specifically agrees that if an Event of Default exists relative to Tenant's payment of "rent" (including those amounts arising as a result of subsection (e) above), then Landlord may deduct, at its option and without the giving of any additional notice, funds necessary to cure the Event of Default from any revenue account and/or other accounts that LAUSD maintains in its possession or control and otherwise intended for distribution to Tenant (and whether or not related to the operation of the Middle School) until Landlord is paid in full.

g. The rights and remedies of LAUSD set forth herein are not exclusive, and LAUSD may exercise any other right or remedy now or later available to it under this Lease, at law or in equity.

h. No waiver by Landlord of any violation or breach by Tenant of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other or later violation or breach by Tenant of the same or any other of the terms, provisions, and covenants herein contained. Forbearance by Landlord in enforcement of one or more of the remedies herein provided upon a default by Tenant shall not be deemed or construed to constitute a waiver of such default. The acceptance of any amounts hereunder by Landlord following the occurrence of any default, whether or not known to Landlord, shall not be deemed a waiver of any such default, except only a default in the payment of the sums so accepted.

i. For the purposes of this Article 17, Tenant's right to possession shall not be deemed to have been terminated by efforts of Landlord to relet the Premises, by its acts of maintenance or preservation with respect to the Premises, or by appointment of a receiver to protect Landlord's interests hereunder. The foregoing enumeration is not exhaustive, but merely illustrative of acts which may be performed by Landlord without terminating Tenant's right to possession.

j. Notwithstanding this Article 17 but assuming that the Total Project Costs were funded, in whole or in part, by CSFP funds, the following special terms required by the CSFP shall apply for the Term of this Lease in the following priority:

(i) If LAUSD revokes or denies renewal of Tenant's charter petition, pursuant to California Education Code Section 17078.62(b)(1) LAUSD shall allow Tenant "a reasonable time, not to exceed six months, for completion of the review process contemplated in Section 47607 and 47607.5 of the California Education Code" before proceeding to the termination of the Lease.

(ii) If subpart (i) above has transpired or is not applicable, pursuant to Section 17078.62(b) (2) of the California Education Code "any qualifying successor charter school shall be permitted to meet its facility needs by occupying the facility on equal terms as the prior charter school occupant." In the event a qualifying successor charter school assumes the place of Tenant, this Lease shall be amended to incorporate the qualifying successor charter school. This Lease may be restated to delete references to "MORCS" and to replace them with the specific name of the new tenant.

(iii) If a qualifying successor charter school cannot be found to occupy the School on equal terms as Tenant, LAUSD may elect to "take possession of the facility and make the facility available for continued use as a public school facility" by notifying the State of California. If LAUSD elects to take possession of the School, LAUSD shall be required to pay to the State of California the balance of the money borrowed by Tenant to satisfy its local matching share requirement under the CSFP in accordance with California Education Code Section 17078.62(b)(4). This Lease shall terminate upon LAUSD election to take possession of the School for use as public school facility.

If LAUSD does not elect to take possession of the School as provided in subpart (iii) above, or if the School is no longer needed for public school purposes, pursuant to Section 17078.62(b)(5) of the California Education Code, LAUSD "shall dispose of the facilities in a manner otherwise applicable to the disposal of surplus public school sites."

## ARTICLE 18. LAUSD'S DEFAULT; TENANT'S REMEDIES

18.1 LAUSD's Default. LAUSD shall not be in default of any of the obligations of LAUSD under this Lease unless LAUSD fails to perform such obligations within a reasonable time, but in no event less than 30 days, after written notice by Tenant to LAUSD specifying wherein LAUSD has failed to perform such obligations; provided, however, that if the nature of LAUSD's default is such that more than 30 days are required for its cure, LAUSD shall not be in default if LAUSD commences such cure within such 30 day period and thereafter diligently prosecutes the same to completion.

18.2 Tenant's Remedies. Tenant shall have no rights as a result of any default by LAUSD until Tenant gives 30 days' written notice to LAUSD, specifying the nature of the default. LAUSD shall then have the right to cure such default, and LAUSD shall not be deemed in default if LAUSD cures such default within 30 days after receipt of notice of the default, or within such longer period of time as may reasonably be necessary to cure the default.

18.3 Limitation on Liability. Notwithstanding anything to the contrary set forth in this Lease, Tenant covenants and agrees: (a) that it shall look solely to Landlord's interest in the Leased Premises for the satisfaction of any judgment or decree against Landlord based upon any default by LAUSD under this Lease; (b) that no other property or assets of the Landlord (or its shareholders,

members, partners, officers or directors) shall be subject to levy, execution or other enforcement procedures for satisfaction of any such judgment or decree; and (c) no officer, employee or director in Landlord nor any individual Board member shall be named in any such action or proceedings. Notwithstanding anything to the contrary in this Lease, LAUSD shall have no liability to Tenant for consequential damages. The maximum liability to Tenant for damages resulting from LAUSD's breach of any provision or provisions of this Lease shall be limited to, and shall not exceed, the value of LAUSD's equity interest in the Leased Premises as of the date of this Lease.

#### ARTICLE 19. NO ASSIGNMENT OR SUBLETTING

Tenant shall not have the right to, voluntarily or involuntarily, assign, license, transfer, mortgage or encumber this Lease, any part of the Joint Use Facilities, or sublet all or any part of the Leased Premises or Joint Use Facilities without LAUSD's prior written consent, which consent may be withheld in LAUSD's sole discretion. LAUSD and Tenant acknowledge and agree that this Lease is being entered into so that Tenant may operate the Middle School and, but for LAUSD's implementation of Section 47614 of the Ed. Code and Tenant's qualifications under LAUSD's policies and procedures regarding Ed. Code Section 47614, LAUSD would not be entering into this Lease with MORCS. Accordingly, Tenant acknowledges and agrees that it has no right to assign or sublease this Lease. Any purported assignment, sublease, license, encumbrance, mortgage or other transfer of this Lease shall be void and shall, at LAUSD's election, constitute a default. No consent to transfer shall constitute a waiver of any of the provisions of this Article 19.

#### ARTICLE 20. HAZARDOUS MATERIALS

20.1 Compliance with Laws. Tenant shall comply with all applicable Environmental Laws (as defined below) relating to industrial hygiene and environmental conditions on, under or about the Leased Premises including, but not limited to, air, soil and ground water conditions. Tenant shall not use Hazardous Materials on, under or about the Leased Premises; provided, however, that Tenant may use normal and customary cleaning solutions, office supplies and classroom chemicals and compounds (for educational purposes), so long as the use of such solutions, supplies, chemicals and compounds are in quantities and in a manner wholly consistent with all applicable Environmental Laws. Without limiting the generality of the foregoing, during the Term, Tenant shall not, nor shall allow any other party to, transport, use, store, maintain, generate, manufacture, handle, dispose, Release (as defined below) or discharge any Hazardous Material (as defined below) upon or about the Leased Premises in violation of Environmental Laws, nor permit its employees, agents, invitees or contractors to engage in such activities in violation of Environmental Laws upon or about the Leased Premises, during the Term of this Lease.

20.2 Notice. Tenant will promptly notify LAUSD in writing if Tenant has or acquires written notice or actual knowledge that any Hazardous Material has been or is threatened to be released, discharged, disposed of, transported, or stored on, in, under or from the Leased Premises in violation of Environmental Laws. Tenant shall promptly provide copies to LAUSD of all written complaints, claims, citations, demands, inquiries, reports or notices relating to the conditions of the Leased Premises or compliance with Environmental Laws. Tenant shall promptly supply LAUSD with copies of all written notices, reports, correspondence, and submissions made by Tenant to the United States Environmental Protection Agency, the United States Occupational Safety and Health Administration, and any other local, state or federal authority which requires submission of any information concerning environmental matters or hazardous wastes or substances pursuant to Environmental Laws. Tenant shall promptly notify LAUSD of any liens threatened or attached against the Leased Premises pursuant to any Environmental Law.

20.3 Inspection. LAUSD and LAUSD's agents, servants, and employees including, without limitation, legal counsel and environmental consultants and engineers retained by LAUSD, may (but without the obligation or duty to do so), at its sole cost and expenses, at any time and from time to time, on not less than 10 business days' notice to Tenant (except in the event of an emergency in which case no notice will be required), inspect the Leased Premises to determine whether Tenant is complying with

Tenant's obligations set forth in this Article 20, and to perform environmental inspections and samplings, during regular business hours (except in the event of an emergency) or during such other hours as LAUSD and Tenant may agree.

20.4 Definitions. As used in this Lease, the following definitions shall apply: "**Environmental Laws**" shall mean all federal, state and local laws, ordinances, court orders and administrative directives, rules and regulations now or hereafter in force, as amended from time to time, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, and includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq. ("**CERCLA**"), the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., the Clean Water Act, 33 U.S.C. § 1251, et seq., the Hazardous Substance Account Act, California Health and Safety Code § 25300, et seq., the Hazardous Waste Control Law, California Health and Safety Code § 25100, et seq., the Medical Waste Management Act, California Health and Safety Code § 25015, et seq., the Porter-Cologne Water Quality Control Act, California Water Code § 13000, et seq., California Education Code § 17210, et seq., and California Code of Regulations, Title 5 § 14010, et seq. "**Hazardous Material(s)**" shall mean any substance or material that is described as a toxic or hazardous substance, explosive material, radioactive substance, waste or material or a pollutant or contaminant or infectious waste, or words of similar import, in any of the Environmental Laws, and includes, but is not limited to, asbestos, petroleum or petroleum products (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), polychlorinated byphenyls, urea formaldehyde, radon gas, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity. "**Release**" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment, including continuing migration, of Hazardous Material into or through soil, air, surface water or groundwater.

20.5 Indemnification. Tenant shall indemnify, defend (by counsel reasonably approved in writing by LAUSD), protect, save and hold harmless LAUSD and LAUSD Parties from and against any and all Claims arising from any breach of Tenant's covenants under this Article 20, except to the extent such Claims are a result of Landlord's gross negligence or willful misconduct.

## ARTICLE 21. ESTOPPEL CERTIFICATES

21.1 Generally. Either party hereto, without charge, at any time and from time to time, within 20 days after receipt of written request by the other party hereto, shall deliver a written instrument, duly executed, certifying to such requesting party, or any other person, firm or corporation specified by such requesting party:

- a. That this Lease is unmodified and in full force and effect, or if there has been any modification, that the same is in full force and effect as so modified, and identifying any such modification;
- b. Whether or not to the knowledge of such party executing the certificate the party requesting such certificate is in default in the performance of any covenant or agreement or condition contained in this Lease and if so, specifying each such default;
- c. The dates to which fees, additional payments and all other charges hereunder have been paid; and
- d. That this Lease has not been assigned, and there has been no subletting of the Leased Premises in violation of this Lease.

Any written instrument given hereunder shall be given with the understanding that such written instrument may be relied upon by the recipient of such instrument and by a prospective Purchaser, Tenant or mortgagee of the Leased Premises.

21.2 Failure to Provide Estoppel Certificate. The failure of either LAUSD or Tenant to deliver such statement within such 20 day period shall constitute a default hereunder and shall be conclusive upon the requesting party or any other person, firm or corporation for whose benefit the statement was requested, that this Lease is in full force and effect without modification or assignment except as may be represented by the requesting party and that there are no uncured defaults on the part of the requesting party.

#### ARTICLE 22. NOTICE

Any notice or communication required or permitted hereunder shall be given in writing, sent by (a) personal delivery delivered by a representative of the party giving such notice, or (b) overnight delivery by recognized overnight courier, or (c) United States mail, postage prepaid, registered or certified mail, or (d) facsimile or email (provided that the same shall be followed by delivery of a copy by one of the other permitted means of delivery), addressed as provided in Section (m) and (n), as appropriate, of the Summary or to such other address or to the attention of such other person as hereafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been delivered either at the time of personal delivery actually received by the addressee or a representative of the addressee at the address provided above or, if delivered on a business day in the case of delivery service or certified or registered mail, as of the earlier of the date delivered or the date 72 hours following the date deposited in the United States mail at the address provided herein, or if by telecopier or email, upon electronic confirmation of good receipt by the receiving telecopier or PC. LAUSD and Tenant hereby agree that notices may be given hereunder by the Parties' respective counsel and that, if any communication is to be given hereunder by LAUSD's or Tenant's counsel, such counsel may communicate directly with all principals as required to comply with the provisions of this Article 22.

#### ARTICLE 23. BROKERS

LAUSD and Tenant represent to each other that they are not obligated to any broker or real estate or financing agent in connection with the subject matter of this Lease or the transaction contemplated hereby and each party agrees to protect, defend, indemnify and hold the other harmless from any claim, suit or demand made upon the other by any person, firm or corporation for brokerage fees or commissions or other similar compensation with respect to this Lease.

#### ARTICLE 24. SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE

24.1 Obligations of Tenant. This Lease and the rights granted to Tenant by this Lease are and shall be subject and subordinate at all times to (a) all ground or underlying leases affecting all or any part of the Leased Premises now or later existing and all amendments, renewals, modifications, supplements and extensions of such leases and (b) all deeds of trust or mortgages now or later affecting or encumbering all or any part of the Leased Premises and/or any ground or underlying leasehold estate. From and after the Term Commencement Date, any such subordination shall be subject to the execution of a non-disturbance agreement reasonably acceptable to Tenant by landlord under the ground or underlying lease or by the lender under the deed of trust or mortgage; and provided, further, however, that if a landlord or lender elects at any time to have Tenant's interest in this Lease be or become superior, senior or prior to any such instrument, then upon receipt by Tenant of written notice of such election, Tenant shall immediately execute all necessary and reasonable subordination instruments or other reasonable documents confirming the subordination of such mortgage, deed of trust, ground or underlying lease to this Lease.

24.2 LAUSD's Right to Assign. LAUSD's interest in this Lease may be assigned to any mortgagee or trust deed beneficiary as additional security. Nothing in this Lease shall empower Tenant to do any act without LAUSD's prior consent which can, shall or may encumber the title of the owner of all or any part of the Leased Premises.

24.3 Attornment by Tenant. In the event of the cancellation or termination of any or all ground or underlying leases affecting all or any part of the Leased Premises in accordance with its terms or by the surrender thereof, whether voluntary, involuntary or by operation of law, or by summary proceedings, or in the event of any foreclosure of any or all mortgages or deeds of trust encumbering the Leased Premises by trustee's sale, voluntary agreement, deed in lieu of foreclosure, or by the commencement of any judicial action seeking foreclosure, Tenant shall attorn to and recognize (a) the ground or underlying lessor, under the ground or underlying lease Tenant's landlord under this Lease, and Tenant agrees to execute and deliver at any time upon request of such ground or underlying lessor, beneficiary, Purchaser, or their successors, any instrument to further evidence such attornment.

24.4 Non-Disturbance. Notwithstanding any of the provisions of this Article to the contrary, in the event of the cancellation or termination of any or all ground or underlying leases affecting all or any part of the Leased Premises in accordance with its terms or by the surrender thereof, whether voluntary, involuntary or by operation of law, or by summary proceedings, or in the event of any foreclosure of any or all mortgages or deeds of trust encumbering the Leased Premises by trustee's sale, voluntary agreement, deed in lieu of foreclosure, or by the commencement of any judicial action seeking foreclosure, Tenant shall be allowed to occupy the Leased Premises and this Lease shall remain in effect, subject to the terms of this Lease.

#### ARTICLE 25. MISCELLANEOUS

25.1 Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation of this Lease, shall not work a merger, and shall, at the option of LAUSD, terminate all or any existing subleases or subtenancies, or may, at the option of LAUSD, operate as an assignment to it of Tenant's interest in any or all such subleases or subtenancies. **[\*\*AALRR to provide language\*\*]**

25.2 LAUSD's Successors. In the event of any transfer of fee title or interest of lessor, LAUSD (and in case of any subsequent transfers, the then grantor) shall be automatically freed and relieved from and after the date of such transfer, assignment or conveyance of all liability as respect to the performance of any agreements or obligations on the part of LAUSD contained in this Lease thereafter to be performed; provided, however, that (a) any funds in the hands of LAUSD or the then grantor at the time of such transfer in which Tenant has an interest shall be delivered to the grantee and (b) any such grantee shall fully assume all of the obligations of LAUSD (or, in the case of any subsequent transfers, the then grantor) under this Lease. The obligations contained in this Lease to be performed by LAUSD shall, subject as aforesaid, be binding on LAUSD's successors and assigns only during their respective periods of ownership.

25.3 Not a Partnership or Joint Venture. LAUSD and Tenant hereby agree and acknowledge that the relationship between LAUSD and Tenant is solely a landlord/tenant relationship and not a principal/agent relationship, partnership, joint venture or any other relationship. Tenant is acting on its own behalf in operating from the Leased Premises any school thereon (or any other purpose(s) therein) and is not operating as an agent of LAUSD. Nothing herein obligates Landlord to operate in all or any part of the Project.

25.4 Quiet Enjoyment. Provided Tenant has performed all of the terms, covenants, agreements and conditions of this Lease, including the payment of all sums due hereunder, Tenant shall peaceably, exclusively and quietly hold and enjoy the Leased Premises for the Term hereof and subject to the provisions and conditions of this Lease. Tenant's right to use the Leased Premises as herein provided shall be subject to restrictions or other limitations or prohibitions resulting from any Applicable Law now in force or which may hereafter be in force and no such event shall in any way affect this Lease, relieve Tenant of any liabilities or obligations under this Lease or give rise to any claim whatsoever against LAUSD.

25.5 Partial Invalidity. If any term or provision of this Lease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, this Lease shall automatically terminate effective on the thirty-first (31<sup>st</sup>) day after the determination of the invalidity or unenforceability



of any provision in this Lease; provided that during the above thirty (30) day period Tenant and Landlord shall review and evaluate the Lease without the invalid or unenforceable provision(s) and determine whether the Lease as modified shall remain in effect or terminate or whether the parties shall negotiate an amendment to this Lease so that Tenant and Landlord receive the benefit of the bargain, responsibilities and obligations that they thought they were receiving and committing to when each initially entered into this Lease. If this Lease terminates due to this Section 25.5 and such termination occurs during the initial forty (40) year term, Tenant and Landlord shall negotiate a new lease for the remainder of such forty (40) year term in order to comply with the CSFP requirement for a forty (40) year lease.

25.6 Captions. The captions and headings in this Lease are inserted only as a matter of convenience and for reference, and they in no way define, limit or describe the scope of this Lease or the intent of any provision thereof.

25.7 Amendment. No amendment or modification to this Lease shall be effective for any purpose unless in a written instrument signed by LAUSD and Tenant.

25.8 Recordation. From and after the Term Commencement Date, Tenant may record, at its cost and expense, a memorandum of this Lease in form and substance reasonably acceptable to LAUSD.

25.9 Choice of Law. This Lease shall be governed by the State of California.

25.10 Interpretation. This Lease shall be deemed to be jointly prepared by both of the Parties hereto, and any ambiguities or uncertainties herein shall not be construed for or against either of the Parties hereto. Any and all references to dollar amounts herein shall mean the legal currency of the United States.

25.11 Attorneys' Fees. In the event either party hereto should commence an action against the other to enforce any obligation set forth herein (including, but not limited to, arbitration), the unsuccessful party shall pay to the prevailing party its cost of litigation or arbitration, including reasonable attorneys' fees, whether or not the suit is brought to judgment or conclusion in arbitration.

25.12 Counterparts. This Lease may be executed in one or more counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same instrument. To facilitate execution hereof, this Lease may be executed by handwritten signing or by electronically transmitted facsimile of such signing, either of which shall create a validly executed document, in as many counterparts as may be required.

25.13 Entire Agreement. This Lease contains all of the agreements of the parties hereto with respect to the matters covered hereby, and no prior agreements, oral or written, or understandings or representations of any nature whatsoever pertaining to any such matters shall be effective for any purpose unless expressly incorporated in the provisions of this Lease. The provisions of this Lease shall not be amended or altered except by an agreement in writing signed by both of the parties hereto prior to its becoming effective.

25.14 Successors and Assigns. Subject to the provisions hereof relative to assignment, this Lease shall be binding upon and inure to the benefit of the heirs, executors, administrators, transferees, successors and assigns of the respective parties hereto.

25.15 Time Is of the Essence. Time is of the essence with respect to the performance or observance of each of the obligations, covenants and agreements under this Lease. Notwithstanding anything to the contrary contained in this Agreement, the Parties agree that any matter that requires the approval or consent of a party under this Agreement, such approval or consent shall be given or withheld within thirty (30) days following request unless a shorter timeframe is herein specified; provided, however,

if the party fails to respond in such time period or if the party denies or disapproves the request and fails to specify in detail the reasons for such denial or disapproval, then the request shall be deemed approved.

25.16 Gender. As used herein, the neuter gender includes the feminine and the masculine, the masculine includes the feminine and the neuter and the feminine includes the masculine and the neuter, and each includes corporation, partnership or other legal entity when the context so requires.

25.17 Waiver. No waiver of any provision hereof shall be deemed a waiver of any other provision hereof. Consent to or approval of any act by one of the Parties hereto shall not be deemed to render unnecessary the obtaining of such party's consent to or approval of any subsequent act, nor shall any custom or practice which may grow up between the Parties in the administration of the terms hereof be deemed a waiver of, or in any way affect, the right of LAUSD to insist upon the performance by Tenant in strict accordance with said terms. The acceptance of any monies hereunder by LAUSD shall not be a waiver of any preceding breach by Tenant of any provision hereof, other than the failure of Tenant to pay the particular amounts so accepted, regardless of LAUSD's knowledge of such preceding breach at the time of acceptance of such amounts.

25.18 Cumulative Remedies. No remedy herein shall be considered exclusive of any other remedy, but the same shall be cumulative and shall be in addition to every other remedy given hereunder now or hereafter existing at law or in equity or by statute, and every power and remedy given by this Lease may be exercised from time to time and as often as occasion may arise or as may be deemed expedient.

25.19 Force Majeure. Except for the payment of any amounts due hereunder, whenever either party hereto shall be required by the terms of this Lease or by law to perform any contract, act, work, construction, labor or services, or to perform and comply with any laws, rules, orders, ordinances, regulations or zoning regulations, said party shall not be deemed to be in default herein and the other party shall not enforce or exercise any of its rights under this Lease, if and so long as nonperformance or default herein shall be directly caused by strikes, nonavailability of materials, war or national defense preemptions or civil disobedience, governmental restrictions, acts of God or other similar causes beyond the reasonable control of the non-performing party.

25.20 Incorporation. The Exhibits attached hereto are incorporated herein.

25.21 Sale. LAUSD shall have the right at any time and from time to time during the Term hereof to sell, encumber or assign all or any portion of its fee interest in the Leased Premises; subject, however, to the leasehold estate of Tenant created hereby.

25.22 Authorization to Sign Lease. Each individual executing this Lease on behalf of Tenant represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of MORCS, and that this Lease is binding upon Tenant in accordance with its terms. Each individual executing this Lease on behalf of LAUSD represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of LAUSD and that this Lease is binding upon LAUSD in accordance with its terms.

25.23 Covenants and Conditions. All provisions, whether covenants or conditions, on the part of Tenant shall be deemed to be both covenants and conditions.

25.24 Effective Date. The effective date of this Lease shall be the last date set forth adjacent to the signatures to this Lease.

## ARTICLE 26. SECURITY DEPOSIT

As of the execution of this Lease, LAUSD is not requiring Tenant to tender a security deposit because LAUSD in good faith is relying upon Tenant to comply with the terms and conditions of this Lease.

In the event Tenant defaults under this Lease, LAUSD may require Tenant to tender a security deposit equal to the average of three (3) months of rent as LAUSD charges any other middle school in the district, as selected by LAUSD, but in no event less than \$50,000 per month (herein "**Security Deposit**"). The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the Lease Term. If Tenant defaults with respect to any provisions of this Lease, Landlord may, but shall not be required to, use, apply or retain all or any part of the Security Deposit for the payment of any sum in default, or for the payment of any amount that Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage that Landlord may suffer by reason of Tenant's default. If any portion of the Security Deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount, and Tenant's failure to do so shall be a default under this Lease. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the Security Deposit, or any balance thereof, shall be returned to Tenant, or, at Landlord's option, to the last assignee of Tenant's interest hereunder, within sixty (60) days following the expiration of the Lease Term. Landlord shall not be required to keep the Security Deposit in a separate account and Tenant shall not be entitled to any interest on the Security Deposit. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, and all other provisions of law, now or hereafter in force, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant. LAUSD shall have the right to increase or decrease the amount of any Security Deposit during the Term of this Lease.

#### ARTICLE 27. REPRESENTATIONS AND WARRANTIES

27.1 Tenant's Representations: Tenant warrants, represents and covenants to Landlord, as follows:

a. Authority. Tenant (i) is a lawfully constituted corporation, duly organized, validly existing, and in good standing under the laws of the State of California and is qualified to do business in the State of California; (ii) has the authority and power to enter into this Lease and to consummate the transaction contemplated herein; and (iii) upon execution hereof will be legally obligated to Landlord in accordance with the terms and provisions of this Lease. Tenant agrees to deliver to Landlord a certified copy of the resolution of its board of directors authorizing or ratifying the execution of this Lease.

b. Conflicts. The execution and entry into this Lease, the execution and delivery of the documents and instruments to be executed and delivered by Tenant by the Term Commencement Date, and the performance by Tenant of Tenant's duties and obligations under this Lease and of all other acts necessary and appropriate for the full consummation of the lease of the Leased Premises as contemplated herein, are consistent with and not in violation of, and will not create any adverse condition under, any contract, agreement or other instrument to which Tenant is a party, or any judicial order or judgment of any nature by which Tenant is bound. All necessary and appropriate action will have been taken by Tenant authorizing and approving the execution of and entry into this Lease, the execution and delivery by Tenant of the documents and instruments to be executed by Tenant, and the performance by Tenant of Tenant's duties and obligations under this Lease and of all other acts necessary and appropriate for the consummation of the lease of the Leased Premises as contemplated herein.

#### ARTICLE 28. WAIVER OF FACILITIES REQUEST

MORCS's charter petition for the School is for 405 students receiving education instruction at grade levels 6 to and including 8. In the interest of long term planning, Tenant agrees that the Leased Premises satisfy MORCS's space needs for the Middle School. Tenant agrees that it shall not submit and hereby waives any and all rights, whether under the auspices of Proposition 39 (as codified at California

Education Code Section 47614, and Title 5, California Code of Regulations, Section 11969.1-11969.9 or otherwise), to submit a request to use any real property owned or leased by LAUSD for the charter petition for the Middle School for the duration of the Term of this Lease and any period following the expiration or termination of this Lease that Tenant is in occupancy of the Leased Premises until the Parties enter into any new agreement for the occupancy of said Leased Premises. Nothing herein shall be construed to limit Tenant's ability to create a new charter petition to establish a new charter school and request use of different LAUSD real property for said new charter school in accordance with the approved charter petition. Tenant specifically agrees that:

a. Tenant waives any and all rights existing at equity or under Applicable Law that require LAUSD to provide Tenant with (i) any additional facilities, furniture, fixture, equipment, facilities-related services or upgrades thereto, repair or replacement of any portions of the Middle School and/or Lease Premises, or (ii) other real or personal property with respect to students authorized pursuant to the Tenant's approved charter petition, (collectively, "**Additional Facilities**"), and

b. Tenant covenants that it shall not commence any action or proceeding to require LAUSD to provide Tenant with any Additional Facilities.

The foregoing waivers and covenants shall be broadly construed in favor of LAUSD and shall apply to existing and future Applicable Laws imposing a requirement on LAUSD to provide Tenant with any Additional Facilities.

The rationale for the foregoing waiver and covenant is that Tenant requested the Leased Premises and the Leased Premises is equipped and suitable for operation of its Middle School, and sufficient to accommodate its students. Tenant will receive all revenues and average daily attendance funding for the students educated by Tenant at the Middle School (LAUSD will not receive any of these funds deriving from the students Tenant educates) and Tenant shall be required to use such revenues and funds to operate and maintain the School (and the improvements installed therein by LAUSD) for Tenant's students.

This Article shall survive the earlier termination of this Lease and shall survive the expiration of this Lease so long as Tenant is in occupancy of the Leased Premises.

[SIGNATURE PAGE FOLLOWS IMMEDIATELY]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Lease as of the day and year written adjacent to their respective signatures.

“LANDLORD”:

Dated:

LOS ANGELES UNIFIED SCHOOL DISTRICT,  
a school district duly organized and existing under the  
laws of the State of California

By: \_\_\_\_\_  
Name:  
Title:

“TENANT”:

Dated:

YPI CHARTER SCHOOLS, INC.,  
a California nonprofit corporation

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT "A-1"**

PREMISES PLAN

[TO BE ATTACHED]

**EXHIBIT "A-2"**

**ORIGINAL PREMISES PLAN**

**EXHIBIT "A-3"**

**LEGAL DESCRIPTION OF PROPERTY**



**EXHIBIT "B"**  
**PROJECT DESCRIPTION**

The proposed Project is the development of the northeast corner of the Berendo Middle School campus to provide a permanent facility for Monsenor Oscar Romero Charter School. It will consist of a two-story 16 classroom building, a one-story administration building, and a one-story multipurpose building totaling approximately 37,000 square feet. The Project will also include a 17,000 square foot subsurface parking garage, a lunch shelter and the removal/relocation of 6 bungalow classroom buildings from the Berendo Middle School campus.

**EXHIBIT "C"**

**DEVELOPMENT AGREEMENT**

**(See Attached)**

**EXHIBIT "D"**

**COMMENCEMENT DATE CERTIFICATE**

THIS COMMENCEMENT DATE CERTIFICATE (this "Agreement"), is made and entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between LOS ANGELES UNIFIED SCHOOL DISTRICT, a school district duly organized and existing under the laws of the State of California, as LANDLORD and YPI CHARTER SCHOOLS, INC., a California nonprofit corporation, with reference to the following facts:

**RECITALS**

A. Landlord and Tenant have entered into that certain Charter School Lease dated \_\_\_\_\_, 20\_\_\_\_ (the "Lease") covering the Leased Premises located in Los Angeles County, California as more particularly described on Exhibit "A", attached hereto and made a part hereof.

B. The Lease provides for the execution of this Agreement establishing the actual date of the commencement of the Term of the Lease, which date fixes the duration of the Term of the Lease and its Expiration Date.

NOW, THEREFORE, in consideration of the foregoing, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. For all purposes of the Lease, the "Term Commencement Date" shall mean \_\_\_\_\_, 20\_\_\_\_. The Term of the Lease commenced on \_\_\_\_\_, 20\_\_\_\_, and shall run until 11:59 p.m. (local time) on \_\_\_\_\_.

2. All capitalized terms not defined herein shall have the meaning as set forth in the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Commencement Date Certificate effective as of the day and year above written.

"LANDLORD":

Dated:

LOS ANGELES UNIFIED SCHOOL DISTRICT,  
a school district duly organized and existing under the laws of the State of California

By: \_\_\_\_\_  
Name:  
Title:

[SIGNATURES CONTINUED ON NEXT PAGE]

“TENANT”:

Dated:

YPI CHARTER SCHOOLS, INC.,  
a California nonprofit corporation

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT "E"**

**SAMPLE PRO RATA SHARE CALCULATION**

## EXHIBIT "F"

### LAUSD PROPERTY INSURANCE PROGRAM

Under the LAUSD Property Insurance Program:

(a) Tenant shall pay its **Pro Rata Share** of the costs LAUSD incurs to obtain and maintain property insurance for the Project. Tenant's Pro Rata Share of the premiums for the property insurance shall be calculated using per-square-foot-rate cost for property insurance as disclosed in the "LAUSD Facilities Cost" for the applicable year ("**Tenant's Property Insurance Premium**"). The Tenant's Property Insurance Premium shall be paid in monthly installments as a recurring payment.

(b) LAUSD discloses that the LAUSD Property Insurance Program renews effective July 1st of each year. At the time LAUSD prepares the facilities cost for purposes of determining Pro Rata Share as required under the Charter School Act of 1992 and the regulations, LAUSD does not know what the premium will be for the LAUSD Property Insurance Program for the fiscal year beginning July 1st. Within three (3) months after July 1st, LAUSD shall provide notice to Tenant of any adjustment in Tenant's Property Insurance Premium arising from the insurance policy going into effect on July 1st and the new monthly amount for Tenant's Property Insurance Premium. In the event of any increase in Tenant's Property Insurance Premium, said increase shall be paid in equal monthly installments through the following months to June of the next year and Tenant shall pay a one-time lump sum to bring Tenant's Property Insurance Premium into compliance with the new monthly installments. In the event of any decrease in Tenant's Property Insurance Premium, said decrease shall be credited against future monthly installment(s) due and payable to LAUSD.

(c) Tenant, at its sole cost and expense, shall be responsible to pay any property insurance deductible under the LAUSD Property Insurance Program for any insured claims arising out of casualty damage to the Project, or any component or part thereof according to Tenant's Share, or if such casualty was arose from or was related to Tenant's negligence or willful misconduct, then Tenant shall pay all of such deductible. As of the date of this Lease, the property insurance deductible payable under the LAUSD Property Insurance Program is \$1,000,000.00. A new policy of property insurance will go into effect as of July 1 of the applicable Lease Year during the Term. The property insurance deductible may increase or decrease with each property insurance policy and LAUSD shall notify Tenant of any adjustment to the current property insurance deductible of \$1,000,000.00.

(d) Prior to occupancy of the Middle School and thereafter on each anniversary date of Tenant's execution of this Agreement, Tenant shall provide evidence of its ability to pay the property insurance deductible by providing to LAUSD:

(i) A letter of credit issued by a nationally recognized financial institution in the amount of the current property insurance deductible as such deductible amount may not be covered by other insurance or such amount may be reduced because Tenant has elected to pay an increased premium. Tenant shall require the issuer of such letter of credit to provide to LAUSD prior written notice of any rescission or cancellation of said letter of credit. Upon learning of any actual or planned rescission or cancellation of said letter of credit, LAUSD shall have the right to offset or withhold all funds, if any, in any revenue account or other account maintained by LAUSD for Tenant from distribution to Tenant. In the event there are insufficient funds in Tenant's account(s) to cover the property insurance deductible, LAUSD may secure from distribution any and all other funds controlled by LAUSD intended to be distributed to Tenant or declare Tenant in default of the Lease. Tenant shall have the right to provide a letter of credit in the amount of the current property insurance deductible in accordance with the terms and conditions of this Exhibit F and upon confirmation of the compliance of such subsequent letter of credit, LAUSD shall release all "holds" on the funds LAUSD secured in accordance with this Section (i);

(ii) Evidence of sufficient cash funds maintained in a segregated escrow account and which funds can only be withdrawn and distributed with the written consent of LAUSD; or

(iii) An insurance policy providing coverage in the amount of the current property insurance deductible which proceeds shall be payable on the occurrence of any casualty at the Project caused by any source excluding the negligence or willful misconduct of LAUSD. Such insurance shall comply with the general conditions set forth in Section 7.10. If Tenant elects to obtain an insurance policy providing coverage for the then current property insurance deductible, Tenant shall provide LAUSD with a copy of the proposed insurance policy and LAUSD shall review and determine whether such insurance policy is reasonably acceptable and compatible with the LAUSD Property Insurance Program. Thereafter, at least 60 days prior to the expiration of the then existing insurance policy in effect for the property insurance deductible, Tenant shall provide to LAUSD the proposed insurance policy for review and approval.

(e) In the event of damage or destruction of the Project, or portions thereof, and Tenant is unable or refuses to pay the property insurance deductible required under the LAUSD Property Insurance Program, Tenant agrees that LAUSD shall have no responsibility or obligation to pay the property insurance deductible, cause the Project (or portion thereof) to be repaired, restored or replaced, or provide alternate facilities for Tenant and Tenant agrees the waiver of liability provisions in favor of Landlord shall apply and shall continue to apply until Tenant remits to LAUSD the property insurance deductible in a reasonable time period to allow LAUSD to receive the benefit of the property insurance LAUSD maintains for the Project or, if LAUSD elects to pay the property insurance deductible to receive the benefit of the property insurance, Tenant shall make LAUSD whole for the costs and expenses LAUSD incurred in preserving and/or obtaining the benefit of the property insurance prior to the expiration of applicable statutes of limitations.

## Table of Contents

ARTICLE 1. DEMISE .....	6
1.1 Effectiveness; Demise .....	6
1.2 Premises Plan; Reservations .....	6
ARTICLE 2. TERM .....	6
2.1 Term of Lease .....	6
2.2 Pre-Occupancy Period; Rights and Obligations .....	<b>Error! Bookmark not defined.</b>
2.3 Commencement Date Certificate .....	<b>Error! Bookmark not defined.</b>
ARTICLE 3. CONDITIONS PRECEDENT .....	7
3.1 Landlord's Conditions. ....	7
ARTICLE 4. USE .....	9
4.1 Use .....	9
4.2 Shared Use .....	10
4.3 Use of Joint Use Facilities .....	11
4.4 Parking .....	13
4.5 Supervision and Security .....	13
4.6 Signage .....	13
4.7 Pedestrian Safety .....	13
ARTICLE 5. BUILD OUT OF LEASED PREMISES .....	14
5.1 Landlord Construction .....	14
5.2 Tenant's Initial Fixturization .....	<b>Error! Bookmark not defined.</b>
5.3 Inspections and Acceptance of Leased Premises .....	<b>Error! Bookmark not defined.</b>
5.4 Fitness for a Particular Purpose .....	<b>Error! Bookmark not defined.</b>
5.5 As-Is, Release .....	<b>Error! Bookmark not defined.</b>
ARTICLE 6. RENT .....	15
ARTICLE 7. NET LEASE .....	15
7.1 Generally .....	15
7.2 Payment of Reimbursement Amount .....	<b>Error! Bookmark not defined.</b>
7.3 Supervisory Oversight Fee, Pro Rata Share and Tenant's Share .....	15
7.4 Additional Payments .....	16
7.5 Payments of Costs and Other Charges .....	16
7.6 Utilities .....	16
7.7 Taxes .....	17
7.8 Maintenance, Repair and Improvement .....	18
7.9 Landlord Supplied Maintenance and Operation Service .....	21
7.10 Tenant's Insurance .....	21
7.11 Insurance Policy Criteria .....	21
7.12 Required Regulatory Inspections .....	21
7.13 Deferred Maintenance .....	21
7.14 Late Payments .....	21
7.15 Disputes as to Payments .....	21
7.16 Audit Rights .....	21
7.17 Timely Charges .....	21
ARTICLE 8. COMPLIANCE .....	21
8.1 Compliance with Laws .....	21
8.2 Compliance with Charter Petition .....	21
8.3 Continuous Use .....	21
8.4 Name of School .....	21
ARTICLE 9. ADDITIONS AND ALTERATIONS .....	21
9.1 LAUSD's Consent .....	<b>Error! Bookmark not defined.</b>
9.2 Conditions .....	<b>Error! Bookmark not defined.</b>
9.3 General .....	<b>Error! Bookmark not defined.</b>



ARTICLE 10.	SURRENDER; END OF THE TERM .....	21
10.1	Surrender of Leased Premises .....	21
10.2	Removal of Property .....	21
10.3	Compliance with Applicable Law .....	21
ARTICLE 11.	HOLDING OVER.....	21
11.1	Holding Over .....	21
11.2	No Extension of Lease.....	21
ARTICLE 12.	LAUSD’S ACCESS .....	21
12.1	Entry.....	21
12.2	Right to Perform.....	21
12.3	Other.....	21
12.4	Entry Related to Middle School Operations .....	21
12.5	LAUSD’s Conduct.....	21
ARTICLE 13.	LIENS.....	21
13.1	Liens .....	21
13.2	Release of Liens by LAUSD .....	21
ARTICLE 14.	ALLOCATION OF RISK.....	21
14.1	Release.....	21
14.2	Indemnity .....	21
ARTICLE 15.	DAMAGE AND DESTRUCTION .....	21
15.1	Notice of Damage or Destruction.....	<b>Error! Bookmark not defined.</b>
15.2	Obligation to Repair .....	<b>Error! Bookmark not defined.</b>
15.3	Insurance Proceeds .....	<b>Error! Bookmark not defined.</b>
15.4	Destruction of Tenant’s Property .....	<b>Error! Bookmark not defined.</b>
15.5	No Abatement .....	<b>Error! Bookmark not defined.</b>
15.6	Damage Near End of Term.....	<b>Error! Bookmark not defined.</b>
15.7	Exclusive Remedy .....	<b>Error! Bookmark not defined.</b>
ARTICLE 16.	EMINENT DOMAIN.....	21
16.1	Termination of Lease .....	<b>Error! Bookmark not defined.</b>
16.2	Allocation of Condemnation Award.....	<b>Error! Bookmark not defined.</b>
16.3	Temporary Taking.....	<b>Error! Bookmark not defined.</b>
16.4	Exclusive Remedy .....	<b>Error! Bookmark not defined.</b>
ARTICLE 17.	TENANT’S DEFAULT; LAUSD’S REMEDIES .....	21
17.1	Tenant’s Default.....	21
17.2	LAUSD Remedies.....	21
ARTICLE 18.	LAUSD’S DEFAULT; TENANT’S REMEDIES .....	21
18.1	LAUSD’s Default.....	21
18.2	Tenant’s Remedies.....	21
18.3	Limitation on Liability.....	21
ARTICLE 19.	NO ASSIGNMENT OR SUBLETTING .....	21
ARTICLE 20.	HAZARDOUS MATERIALS .....	21
20.1	Compliance with Laws .....	21
20.2	Notice .....	21
20.3	Inspection.....	21
20.4	Definitions .....	
20.5	Indemnification.....	21
ARTICLE 21.	ESTOPPEL CERTIFICATES .....	21
21.1	Generally.....	21
21.2	Failure to Provide Estoppel Certificate.....	21
ARTICLE 22.	NOTICE.....	21
ARTICLE 23.	BROKERS.....	21
ARTICLE 24.	SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE.....	21
24.1	Obligations of Tenant.....	21
24.2	LAUSD’s Right to Assign .....	21
24.3	Attornment by Tenant .....	21
24.4	Non-Disturbance.....	21

ARTICLE 25.	MISCELLANEOUS .....	21
25.2	Merger.....	21
25.3	LAUSD's Successors.....	21
25.4	Not a Partnership or Joint Venture.....	21
25.5	Quiet Enjoyment.....	21
25.6	Partial Invalidity.....	21
25.7	Captions.....	21
25.8	Amendment.....	21
25.9	Recordation.....	21
25.10	Choice of Law.....	21
25.11	Interpretation.....	21
25.12	Attorneys' Fees.....	21
25.13	Counterparts.....	21
25.14	Entire Agreement.....	21
25.15	Successors and Assigns.....	21
25.16	Time Is of the Essence.....	21
25.17	Gender.....	21
25.18	Waiver.....	21
25.19	Cumulative Remedies.....	21
25.20	Force Majeure.....	21
25.21	Incorporation.....	21
25.22	Sale.....	21
25.23	Authorization to Sign Lease.....	21
25.24	Covenants and Conditions.....	21
25.25	Effective Date.....	21
ARTICLE 26.	SECURITY DEPOSIT .....	21
ARTICLE 27.	REPRESENTATIONS AND WARRANTIES .....	21
27.1	Tenant's Representations .....	21
ARTICLE 28.	WAIVER OF FACILITIES REQUEST .....	21
28.1	Prop. 39.....	<b>Error! Bookmark not defined.</b>

**EXHIBITS**

- Exhibit "A-1": Premises Plan
- Exhibit "A-2": Original Premises Plan
- Exhibit "A-3": Legal Description
- Exhibit "B": Project Description
- Exhibit "C": Development Agreement
- Exhibit "D": Commencement Date Certificate
- Exhibit "E": Sample Pro Rata Share Calculation
- Exhibit "F" LAUSD Property Insurance Program

**GLOSSARY OF DEFINED TERMS**

**Term or Phrase**

**Section of Lease\***

“AAA”	Section 25.1 (e)
“Additional Facilities”	Section 28 b)
“Applicable Law”	Section 8.1
“Alterations”	Section 9.1
“Arbitrator”	Section 25.1 (e)
“Arbitration Notice”	Section 25.1 (e)
“Base Rent”	Summary, Section (i)
“Board”	Summary, section (b)
“Bond Funds”	Section 7.13 (b)
“CERCLA”	Section 20.4
“City”	Summary, section (e)
“Conditions Precedent”	Summary, section (d)
“Claims”	Section 14.1
“Commencement Date Certificate”	Section 2.3
“Costs”	Section 7.1
“County”	Summary, section (e)
“Date of Lease”	Summary, section (p)
“Deferred Maintenance”	Section 7.13
“Deferred Maintenance Plan”	Section 7.13 (d)
“District”	Section 4.1(b)
“DSA”	Recital B
“Ed. Code”	Section 7.3 (a)
“Expiration Date”	Section 2.1
“Effective Date”	Summary, section (d)
“Environmental Laws”	Section 20.4
“Event of Default”	Section 17.1
“Expiration Date”	Section 2.1
“Facilities Condition Index”	Section 7.13 (g)
“First Lease Year”	Section 2.1
“Reimbursement Amount”	Summary, section (i)
“Hazardous Material(s)”	Section 20.4
“Initiating Party”	Section 25.1 (b)
“Inspection”	Section 12.1
“Interest Rate”	Section 6.6(a)
“JAMS”	Section 25.1 (e)
“Joint Use Facilities”	Section 7.14 (a)
“Joint Use Issues”	Section 4.3
“Joint Use Schedule”	Section 4.3
“Landlord”	Summary (a)
“LAUSD”	Summary (a)
“LAUSD’s Address for Notices”	Summary, section (n)
“LAUSD’s Address for Payment”	Summary, section (o)
“LAUSD Parties”	Section 14.1
“LAUSD Property Insurance Program”	Section 7.10 (c)
“Lease”	Intro. Paragraph
“Lease Year”	Section 2.1
“Leased Premises”	Summary, section (c)
“Liability” or “Liabilities”	Section 14.2
“Maturity Date”	Summary, section (i)
“Middle School”	Summary, section (l)
“Miscellaneous Taxes”	Section 7.7 (d)
“Note”	Summary, section (j)
“Notice”	Section 14.2 (a)
“Notice of Termination”	Section 15.3(b) (i)
“Permitted Exceptions”	Section 1.2 (c)
“Personal Property Taxes”	Section 7.7(b)

“Phased Payment Option”	Summary, section (i)
“Plans and Specifications”	Recital B
“MORCS”	Summary, section (b)
“MORCS’s Address for Notices”	Summary, section (m)
“Pre-Occupancy Period”	Section 2.2
“Primary Hours”	Section 4.2(c)
“Pro Rata Share”	Section 7.3 (b)(i)
“Project”	Recital A
“Proposition 39”	Section 28
“Punch List Items”	Section 5.3
“Rent”	Article 6
“Release”	Section 20.4
“Required Regulatory Inspections”	Section 7.12
“Representatives”	Section 4.3(c)
“Responding Party”	Section 25.1 (b)
“Restoration”	Section 15.3 (a)
“State”	Summary, section (e)
“Security Deposit”	Summary, section (k) Article 26
“SMCS”	Section 25.1 (b)
“Substantial Completion”	
“Summary”	Fundamental Lease Provisions: Intro paragraph
“Supervisory Oversight Fee”	Section 7.3 (a)
“Superintendent”	Section 4.3 (c)
“Tax” or “Taxes”	Section 7.3
“Tenant”	Summary, section (b)
“Tenant DM Contribution”	Section 7.13 (c)
“Tenant President”	Section 4.3 (c)
“Tenant’s Property”	Section 10.2
“Tenant’s Share”	Section 7.3(b) (ii)
“Term”	Summary, section (g)
“Term Commencement Date”	Summary, section (f)
“Use”	Summary, section (l)
“Utility” or “Utilities”	Section 7.6

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\*All cites are to the Lease unless otherwise noted

## DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (the "Agreement") dated as of \_\_\_\_\_, 2015 for reference purposes only, is made by and between LOS ANGELES UNIFIED SCHOOL DISTRICT, a school district duly organized and existing under the laws of the State of California ("LAUSD"), and **YPI CHARTER SCHOOLS, INC.**, a California nonprofit public benefit corporation, and the operator of the Monseñor Oscar Romero Charter School ("MORCS"), a charter school duly existing under the laws of the State of California (collectively, jointly and severally "Developer"), with reference to the following facts:

### RECITALS:

A. LAUSD owns that certain real property at 1157 S. Berendo Street, City of Los Angeles, County of Los Angeles, State of California, as more particularly depicted on **Exhibit A-1 and A-2** attached hereto (herein "Land" or "Campus").

B. LAUSD and Developer entered into a Single Year Co-Location Use Agreement at the Berendo Middle School dated April 1, 2012 under a facilities request pursuant to Proposition 39 ("Use Agreement"). Under the Use Agreement, MORCS served 6<sup>th</sup> through 8<sup>th</sup> grade students in 16 classrooms co-located on the Campus, with most of such classrooms being in portable buildings, and all of which are located within the area identified as the "Original Prop. 39 Premises" on the attached **Exhibit "A-1"** ("Original Site Plan"). For the 2015-16 school year, MORCS was relocated by LAUSD from the portables identified on Exhibit A-1 ("Original Site Plan") to the area identified as ("Current Prop 39 Premises"). Due to a LAUSD Facilities project to upgrade the wireless technology for the entire school, MORCS was relocated from the "Original Prop 39 Premises" to the "Current Prop 39 Premises" to eliminate the need to upgrade the bungalow classrooms that are planned for removal as a part of this Project

C. Further, under the Use Agreement, MORCS shared and continues to share the use of certain portions of the Campus with a District operated Middle School, Berendo Middle School ("Berendo MS") identified as the "Original Joint Use Area" on the Site Plan, and the Berendo MS occupied the balance of the Campus for its use and operation identified as the "Berendo MS Campus" on the Original Site Plan.

D. Developer intends to construct a new 6-8 grade charter school ("Project") on a portion of the Land, pursuant to the Construction Plans (defined below) and pursuant to the terms and conditions of that certain Charter School Lease and Joint Use Agreement by and between LAUSD and MORCS signed executed concurrently herewith ("Lease") and this Agreement, and thereafter shall occupy a portion of the Land shown on the Site Plan as the "Phase II Area" ("Leased Premises", as more particularly defined in the Lease) and have access to certain joint use facilities on the Campus pursuant to the terms of the Lease. All initially capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Lease.

E. LAUSD and Developer contemplate that the Project will be completed in two phases: (i) in the initial phase ("Phase I"), on that portion of the Property identified as the "Phase I Area" on the area identified on the attached **Exhibit "A-2"** ("Site Plan"), Developer shall demolish six (6) existing bungalow classroom buildings, in a manner subject to LAUSD's prior

written approval, and repair that portion of the Property identified as the “Phase I Area” on the Site Plan to a paved asphalt surface or landscaped area as selected by LAUSD; provided, that LAUSD may not require Developer to incur landscaping costs in excess of the reasonably estimated cost to pave asphalt for the Phase I Area. , and (ii) in the second phase (“Phase II”) Developer shall (a) relocate or demolish one (1) bungalow building within Phase II (“Phase I Berendo MS Use”) in a manner subject to LAUSD’s prior written approval, (b) construct the permanent facilities for MORCS within that portion of the Leased Premises identified on the Site Plan as the “Phase II Area”, including, without limitation, a sub-surface parking garage within that portion of the Leased Premises identified on the attached Site Plan as the “Phase II Area”, and (c) construct the fire lane that separates the Leased Premises from balance of the Campus to the south, and relocate, as necessary, all affected utilities for the Campus and the Project which LAUSD and MORCS anticipate will be predominately within the fire lane shown on the Site Plan (and otherwise in such locations on the Campus as approved by LAUSD). After construction of the Project, Berendo MS shall have at least eight (8) physical education stations when combined with the operations of MORCS (as approved by LAUSD) counting both the stations to be constructed as part of the Project and those that are part of the existing Berendo MS campus .

F. When complete, the Project will provide “permanent” facilities for MORCS in 16 classrooms, administration, and multipurpose room for MORCS’s use (as defined in the Lease) for the term of the Lease. The use of the word “permanent” means facilities that are not temporary or movable in nature such as the portable classrooms which MORCS currently occupies at Berendo MS, and the word shall not mean nor be construed as any intention of the parties that MORCS shall permanently occupy the Project.

G. Developer received an award of funds under California's Charter School Facilities Program (the "CSFP") in the amount of \$15,150,168 to construct the Project.

H. LAUSD initially awarded Developer an augmentation grant of up to \$4,400,000 to be used to in connection with and to complete the construction of the Project. Subsequent to the initial allocation and for purposes of aesthetics and maximizing play space, LAUSD requested and MORCS agreed to construct an underground parking structure instead of a surface parking lot. This change in development plan increased the estimated cost of construction from \$17,900,000 to \$24,500,000. MORCS submitted a request to increase the amount of the augmentation grant to a total of \$8,575,000 which was approved by the Board pursuant to board report 217-14/15. The term “**Augmentation Grant Award**” shall mean the LAUSD bond funds allocated to this Project under the LAUSD Augmentation program in the total amount of \$8,575,000

J. LAUSD is willing to allow Developer to construct the Project on the Campus and to disburse funds up to the Augmentation Grant Award to Developer pursuant to the terms and conditions contained herein.

K. The recitals contained in the Lease are deemed incorporated herein as if set forth in full. The effectiveness of the Lease and this Agreement are contingent upon the satisfaction of the Conditions Precedent contained in the Lease.

NOW THEREFORE, in consideration of mutual covenants, benefits and agreements hereinafter contained, LAUSD and Developer hereby agree as follows:

## ARTICLE I

**CONDITIONS PRECEDENT AND SUBSEQUENT**

The effectiveness of this Agreement and Developer's right and ability to commence construction of any improvements of any kind or nature on the Campus, and all of Developer's rights hereunder shall be contingent upon the satisfaction of the Conditions Precedent set forth in the Lease and satisfaction occurrence of all the following (collectively, the "Conditions Precedent"). LAUSD and Developer hereby covenant and agree that in the event that the Conditions Precedent have not been satisfied or waived as of October 26, 2016, as the sole and exclusive remedy of the parties hereto, this Agreement shall automatically terminate and neither LAUSD nor Developer shall have any further obligations under this Agreement. In addition, at any time prior to Developer's commencement of Construction (as hereinafter defined), Developer shall have the right, upon written notice to LAUSD, to terminate this Agreement, provided that Developer shall pay LAUSD's out-of-pocket costs, including attorney's fees and expenses, in connection herewith. The termination of this Agreement shall also terminate the Lease pursuant to the terms and conditions provided therein.

1.1 School Board Approval. The Board of Education of LAUSD (the "School Board") shall have approved the execution, delivery, and consummation of the transactions contemplated by this Agreement. The parties hereto agree that as of the date hereof, the School Board has approved the transactions.

1.2 Other Approvals. At its sole cost and expense, Developer shall have obtained and provided evidence to LAUSD of all necessary consents, permits and approvals required in order to commence the construction of the Project by law, rule or regulation applicable to the Project as if a public school district was constructing it including, without limitation, any necessary approvals by the California Department of Education ("CDE"), the California Division of the State Architect ("DSA"), the California Department of Toxic Substances Control ("DTSC"), and any approval related to compliance with the California Environmental Quality Act ("CEQA"), all in a manner acceptable to LAUSD.

1.3 Funding. Developer shall have provided evidence satisfactory to LAUSD of adequate funding (including, without limitation, Developer's receipt of all of the CSFP Award) to undertake and complete the Project in accordance with the terms of the Lease and this Agreement.

1.4 LAUSD Approval of Plans. LAUSD shall have reviewed and approved the Construction Plans as provided in Section 2.3.2 below.

1.5 Lease. LAUSD and Developer shall have entered into the Lease simultaneously with this Agreement.

The continued effectiveness of this Agreement and Developer's right and ability to continue construction of any improvements of any kind or nature on the Campus, and all of Developer's rights hereunder shall be contingent upon the satisfaction occurrence of all the following (collectively, the "Conditions Subsequent"):

1.6 Proposition 39 Facilities Request. Developer's obligation to satisfy this Section 1.6 shall terminate upon Developer's occupancy of Phase II. Prior to and throughout Developer's construction of Phase II, Developer shall submit a valid facilities request annually in accordance with Proposition 39 for the space Developer is currently occupying at Berendo MS and Developer shall execute LAUSD's agreement for occupancy of the Proposition 39 space. If Developer fails to satisfy the foregoing Proposition 39 obligation, this Agreement and the Lease shall terminate and Developer, at its sole cost and expense, shall cease all construction, restore the Leased Premises to its condition existing prior to commencement of construction, and vacate Berendo MS. After the satisfaction of the foregoing obligation to cease construction, restore the Leased Premises and vacate Berendo MS, Developer may submit a Proposition 39 facilities request in the next annual cycle for any other LAUSD facilities.

## ARTICLE II

### CONSTRUCTION

2.1 Definition of Construction. For purposes of this Agreement, "Construction" or "Constructing" shall include, without limitation, (i) the delivery of any materials or supplies for the pre-construction, construction, and completion of the Project, (ii) demolition and/or renovation of any existing improvements on the Campus, (iii) any necessary preparation and grading of the Campus, (iv) bid procedures and retention of Architect and Contractor (each as hereinafter defined), (v) retention of all subcontractors, consultants, engineers and other professionals comprising the Construction Team (as hereinafter defined), (vi) construction of the Project, (vii) construction and installation of separate meters for water, electricity, gas, cable service, telephone and other utilities appropriate for the operation of the Project as separate from Berendo MS, and (viii) landscaping of Phase I Area, Phase II Area, and any other portions of the Campus where landscaping has been damaged by Developer's activities on the Campus.

2.2 Project Schedule. Subject to Developer's satisfaction of all of the Conditions Precedent, Developer shall commence and complete the Construction in accordance with the project schedule set forth in **Exhibit B** attached hereto (the "Project Schedule"), which LAUSD hereby approves, and shall complete such Construction pursuant to the Project Schedule (subject to extension for Force Majeure Delay (as hereinafter defined), but in no event later than the date that is three (3) years from and after the date that all Conditions Precedent are satisfied.

#### 2.3 Pre-Construction.

##### 2.3.1 Personnel.

2.3.1.1 Architect and Contractor. Developer shall disclose to LAUSD its selection of architect ("Architect"), construction manager ("Construction Manager") and the general contractor or multiple prime contractors ("Contractor") for Construction, which Architect, Construction Manager Contractor, and subcontractors shall be licensed, in good standing and authorized to do business in the State of California throughout the Construction of the Project, and selected in accordance with the California Public Contract Code ("Contract Code") and be on LAUSD's list of approved vendors. Contractor shall be bonded for an amount no less than 100% of the total cost of Construction and the bond shall be in a form substantially



similar to that Form of Payment and/or Performance Bond set forth in **Exhibit C** hereto (the "Performance Bond"), which Performance Bond shall be maintained throughout the Construction of the Project. Prior to commencement of Construction, Developer shall provide to LAUSD a true and accurate copy of the Performance Bond.

2.3.1.2 Construction Team. Developer shall disclose to LAUSD each subcontractor listed by Contractor in the bid(s) recommended for acceptance by Developer for Construction or substituted pursuant to the Subletting and Subcontracting Fair Practices Act (Contract Code Section 4100 et seq.) (each, a "Major Sub" and collectively "Major Subs"), engineer, consultant and other professional retained for Construction (each, a "Consultant"). Developer shall, within 60 days following request by LAUSD, provide to LAUSD a list of all personnel, including Architect and Contractor, retained by Developer in connection with Construction (the "Construction Team") provided that in no event shall Developer be required to provide such list more than one time. Developer agrees to comply with California Labor Code ("Labor Code") Section 1771 in its retention of all members of the Construction Team.

2.3.1.3 Labor Compliance Program. Developer shall execute and deliver the Memorandum of Understanding attached hereto as **Exhibit H** ("MOU") concurrently with this Agreement, and shall retain LAUSD to operate and enforce a labor compliance program ("Labor Compliance Program") in accordance therewith. Developer shall adhere to the provisions of the MOU, and any Developer breach of the MOU shall be a breach under this Agreement.

2.3.1.4 Contracts. All contracts entered into by Developer related to Construction of the Project shall be collaterally assigned to LAUSD, and which assignment LAUSD may invoke without Developer's consent or the consent of the contracting party and without the payment of any fee whatsoever; provided, that LAUSD may only invoke such assignment after a Default by Developer hereunder and upon receipt of written notice from LAUSD. This collateral assignment shall be provided in the form of a dual obligee rider which allows LAUSD to act as a co-obligee with the Developer. In addition, Developer agrees that it shall competitively bid the general construction contract and any other contracts so required by applicable law, rule or regulation. All contracts entered into by Developer related to Construction shall contain appropriate language concerning the requirements of Developer's Labor Compliance Program.

2.3.2 Construction Documents. The final construction drawings and specifications for the Project (the "Construction Plans") are identified on **Exhibit D** hereto and Developer represents that the same have been approved by and comply with the requirements of DSA. Developer represents that it has obtained final approval from DSA for the Construction Plans. Developer has submitted the Construction Plans to LAUSD for LAUSD's review and approval in connection with the Lease, the Agreement, and any and all conditions to the Augmentation Grant (including, without limitation, conformance with LAUSD's Design Standards and Technical Specifications). In the event LAUSD discovers any material inconsistency between the Construction Plans and any permit or approval for the Project which has a material adverse impact on the Project or the intended use of the Project as a public school facility, LAUSD will notify Developer in writing of the same and if Developer fails to explain the inconsistency to the reasonable satisfaction of LAUSD or fails to cure the same within a

reasonable time period after written notice from LAUSD, then LAUSD may require Developer to cease such portions of the Construction that relate to such inconsistency until the discrepancy is resolved to the reasonable satisfaction of LAUSD. As a result of LAUSD's review and approval of the Constructions Plans, LAUSD shall incur no liability for the accuracy, completeness, conformance with law (including, without limitation, applicable building codes or the California Education Code) and is not reviewing such Construction Plans for purposes of confirming any of the preceding factors.

2.3.4 Permits; Compliance. Developer, at its sole cost and expense, shall be responsible for obtaining all governmental permits, consents and approvals for the Project including, without limitation, approvals from DSA, CDE, DTSC and any approval related to CEQA. Developer shall also comply with and cause the Contractor and the Construction Team to comply with the Environmental Import/Export Materials Testing requirements attached here to as **Exhibit J** (as may be revised from time to time), and the same shall be factored into all construction costs and construction bids obtained by Developer in connection with the Project. Developer shall obtain all other necessary permits, consents and approvals from all governmental agencies having authority over Construction and shall undertake all steps necessary to insure that Construction is accomplished in compliance with all applicable laws, rules and regulations and the requirements and standards of any insurance underwriting board, inspection bureau or insurance carrier insuring the Campus pursuant to this Agreement.

2.3.5 Fence. Developer shall, at its sole cost and expense, erect (to the satisfaction of LAUSD, in the reasonable discretion of LAUSD) a fence or other appropriate measure (the "Fence") to secure the Construction site from the other portions of the Campus and prevent access by non-Construction personnel and minimize risk of damage, destruction, injury or death, and as required in order to achieve the phased construction contemplated herein. Subject to the applicable law, the Fence shall be, at a minimum, eight (8) feet high and constructed so as to prevent ingress and egress except through locked gates. Developer shall provide or cause to be provided to LAUSD a set of keys for the gates.

2.3.5.1 Fingerprinting. Beyond erecting a fence, if there is a possibility that the Contractor's employees may come in contact with LAUSD students while working on the Campus. Pursuant to Education Code Section 45125.1, Contractor shall either conduct criminal background checks of all employees of Contractor assigned to the Project site, shall certify that no employees who have been convicted of serious or violent felonies (as specified in Education Code Section 45125.1), will have contact with pupils, by utilizing the Certification Regarding Background Checks and the corresponding **Exhibit I**.

If it is determined that Contractor must provide certification of employees, as part of such certification, Contractor must provide the Developer and LAUSD with a list of all employees providing services and Contractor shall not utilize any employees who are not included on the above-referenced list.

2.3.6 Commencement of Construction. Except as otherwise disclosed to LAUSD as of the date of this Agreement, Developer agrees that no Construction or delivery of materials related to the Project shall commence unless and until the Conditions Precedent have

been satisfied, until the Fence has been completed to the satisfaction of LAUSD and until Developer has provided LAUSD at least ten (10) days for LAUSD to post notices of non-responsibility or any other notices which LAUSD deems necessary for its proper protection. Notwithstanding the preceding sentence, Developer shall have commenced construction of the Project within three (3) months after the satisfaction of the Conditions Precedent.

2.3.7 No LAUSD Liability. LAUSD shall not be the guarantor of, nor responsible for, the correctness or accuracy of any plans, specifications and/or Construction Plans, or the compliance thereof with applicable laws, rules or regulations, and LAUSD shall incur no liability of any kind by reason of granting approval of, accepting or acknowledging the Construction Plans, members of the Construction Team or commencement of Construction.

2.3.8 Acknowledgement from Construction Team. Developer shall secure from Architect, Construction Manager, and Contractor an executed statement acknowledging that the Project is not constructed by LAUSD and is not an LAUSD project, and that LAUSD is not responsible or liable for the Project.

2.3.9 Relocation of Certain Improvements. Developer shall have proposed and obtained LAUSD's prior written approval for the relocation, method and phasing of relocation of all utilities (including, without limitation transformer boxes, lines, pipes, conduits and related equipment) in connection with the Project (whether serving Berendo MS or the Leased Premises), which MORCS and LAUSD anticipate shall be underground within the fire lane. Thereafter, (a) the physical relocation of such utilities shall be commenced and completed by Developer pursuant to the time line approved by LAUSD, and (b) all such work shall be completed all at Developer's sole cost and expense.

## 2.4 Construction.

2.4.1 Construction by Developer. Developer, through its Construction Team, shall undertake Construction of the Project at its sole cost and expense (with the right to receive the CSFP Award and the Augmentation Grant Award as set forth in Article XV below). Developer shall conduct and shall cause the Construction Team to utilize all new materials (including new materials constructed from recycled materials) and supplies in building the Project (unless otherwise approved by LAUSD in writing), conduct all work with respect to Construction in a good and workmanlike manner by properly qualified personnel and in accordance with all applicable laws, rules and regulations, and such work shall be diligently prosecuted to completion once commenced.

2.4.2 Limitations on Construction. Developer in good faith and using its commercially reasonable efforts shall endeavor to conduct and shall cause the Construction Team to endeavor to conduct all work with respect to Construction with as minimal impact as commercially practicable to any student instruction (or any other student activity) at the Campus.

2.4.3 Reports and Changes During Construction. The parties acknowledge that the Construction Plans may require changes during Construction, including, changes required by law or due to unforeseen circumstances. In the event of a material change to the Construction Plans, Developer shall deliver to LAUSD written notice describing the change, the reason for the

change, a copy of DSA's evaluation of said change or a written, executed statement by Architect that said change does not require DSA evaluation, a statement of any decrease or increase to the estimated cost of Construction of the Project as Developer disclosed in its CSFP application, and all other details reasonably requested by LAUSD. For the purpose of this Article II a "material change" is a change or series of changes to the Construction Plans that singularly or cumulatively are reasonably estimated to (i) increase the Cost of the Project by two percent (2%) or more or (ii) increase the time to complete the project by sixty (60) days or more.

Developer covenants and agrees that it will have completed the bid process for the Construction of the Project within ninety (90) days from the satisfaction of all conditions precedent to the Development Agreement, and further covenants and agrees that it will deliver the Project Schedule (which the parties will thereafter attach hereto as Exhibit B) and Cost of the Project to LAUSD within three (3) Business Days of Developer completing such bid process. For purposes of this Agreement, "Cost of the Project" means hard and soft costs to construct the Project. Any material increase to the Cost of the Project prior to Developer commencing Construction shall be submitted to and approved by LAUSD in its reasonable discretion.

During the term of this Agreement if there is any material change in the estimated Cost of the Project, regardless of cause (e.g. whether from inaccurate estimating, any change to the Construction Plans, or cause within or outside of Developer's control), Developer shall provide evidence reasonably satisfactory to LAUSD of adequate and acceptable funding to complete Construction of the Project. If LAUSD, in its reasonable discretion, determines that Developer has not established adequate funding to complete Construction of the Project, LAUSD may issue to Developer written notice to cease Construction of the Project at a logical stage in the construction of the Project so as to minimize any adverse impact on the development or use of the Project and Developer shall do so until it has established adequate funding to complete Construction of the Project and all costs, expenses and liabilities incurred by Developer arising from the stoppage of Construction shall be the sole responsibility of Developer.

During the term of this Agreement, Developer shall provide to LAUSD a progress report in the form attached hereto as **Exhibit F** and any and all supporting documentation substantiating such report and any additional documentation reasonably requested by LAUSD ("Progress Report") on a quarterly basis starting in the first financial quarter to close after Developer commences Construction of the Project through and including the date that Developer achieves Substantial Completion.

During the term of this Agreement, Developer shall promptly notify LAUSD in writing regarding any material adverse change in its funding arrangements disclosed in satisfaction of Section 1.3 above if such change affects Developer's ability to complete the Project. LAUSD shall review Developer's information and may require Developer to provide additional information and evidence of its ability to fund and complete Construction of the Project. If, in response to such material adverse change, LAUSD, in its reasonable discretion, determines that Developer has not established adequate funding to complete Construction of the Project, LAUSD may require Developer to cease Construction of the Project at a logical stage in the construction of the Project so as to minimize any adverse impact on the development or use of the Project until satisfactory evidence of sufficient funding has been provided to LAUSD regardless of whether Developer has some funds to continue Construction but not enough to complete Construction.

As an example, and not as a limitation, Developer has funds to complete a building but not enough funds to complete the Project. LAUSD shall allow the building to be completed and require Developer not to proceed with the construction of the remainder of the Project until Developer provides evidence of sufficient funds to complete Construction of the Project.

2.4.4 Meetings and Inspections. LAUSD shall have the right, but not the obligation, to attend any and all on or off site meetings among the Developer, Contractor, Construction Manager and/or Architect to review the Project, its progress, scheduling and other related matters (“Project Meetings”). Developer shall notify LAUSD’s project manager (currently Issam Dahdul, or as otherwise designated by LAUSD) in writing at least seven (7) days in advance of any regularly scheduled Project Meetings, and shall use reasonable efforts to give LAUSD at least 24 hours prior notice of any other Project Meetings. Further, LAUSD shall have the right, but not the obligation, to inspect Construction at any time during the progress thereof. Developer shall pay the costs and expense for an inspector of record approved by DSA (the “DSA Inspector”) from LAUSD or, if the DSA inspectors employed by LAUSD do not have availability for Developer’s Project, a DSA inspector reasonably approved by LAUSD to inspect the Project during Construction and after completion for compliance with the applicable DSA rules and regulations. The DSA inspector shall be permitted to access the Project at all times during construction, which access shall be coordinated between the DSA inspector and Developer, and Developer shall provide notice to all other co-located users of the Property. If LAUSD or the DSA Inspector gives notice to Developer that any aspect of Construction represents a material change from the Construction Plans, or violates any applicable law, rule or regulation, Developer shall cause the Contractor to promptly make corrections required by the DSA Inspector or reasonably required by LAUSD. Neither LAUSD’s right to make such inspections nor the making of such inspections, regardless of any assertions that such inspections amount to unauthorized supervision of Construction, or the supervision of Construction by the DSA Inspector, shall operate as a waiver of any rights of LAUSD to require that Construction be accomplished with new materials (including new materials constructed from recycled materials, unless otherwise approved by LAUSD in writing), and executed in a good and workmanlike manner in accordance with the Construction Plans in all material respects, and applicable law, rule or regulation. Further, LAUSD shall not be responsible for any delays caused by or in connection with the DSA Inspector’s inspection of the Construction, and Developer hereby waives any and all claims against LAUSD associated with delays caused by the DSA inspector.

2.4.5 Insurance. Prior to commencing any Construction or the delivery of any materials or supplies for the Project, Developer shall provide LAUSD with copies of certificates of the insurance required herein and in Article X below. At all times during Construction and until Completion of Construction (as hereinafter defined), Developer, at its sole cost and expense, shall provide and keep in force (i) "all risk" builder’s risk insurance, including vandalism and malicious mischief, covering improvements in place and all material and equipment at the job site, (ii) evidence of workers’ compensation insurance covering all persons employed in connection with the work in compliance with all applicable laws, rules and regulations, and (iii) the insurance coverage required in Article X below, such insurance to remain in full force and effect until such improvements have been completed and fully insured in accordance with Article X below.

2.4.6 Substantial Completion of the Project. Upon Substantial Completion (as hereinafter defined) of Construction of the Project, Developer shall provide written notice to LAUSD and LAUSD shall have the right, but not the obligation, to timely conduct an inspection to confirm Substantial Completion of the Project. For purpose of this Agreement, "Substantial Completion" or "Substantially Completed" shall mean that the applicable portion of the Project is physically and functionally complete in all material respects, in accordance with the applicable portions of the Construction Plans and all applicable laws, rules and regulations, except for any items that are unfinished, deficient or require correction in order to conform with the Construction Plans in all material respects (the "Punch List Items").

2.4.7 Completion of Project Construction. Upon completion of the Punch List Items, Developer shall provide written notice to LAUSD and LAUSD shall have the right, but not the obligation, to timely conduct an inspection to confirm that the Project is complete and fully conform to the Construction Plans in all material respects. Construction shall be deemed complete only after (i) the Project is physically and functionally complete in all respects in material conformance with the Construction Plans and all applicable laws, rules and regulations, and is ready to be occupied and utilized in accordance with the terms of this Agreement, and that all Punch List Items have been successfully completed, and (ii) the applicable governmental agency having appropriate jurisdiction over the Project has issued a certificate of occupancy or its equivalent (collectively, "Completion of Project Construction").

2.4.8 No LAUSD Liability. Developer understands and agrees that LAUSD is not a guarantor of, nor responsible for, Construction or the Project as completed, or the compliance thereof with applicable laws, rules or regulations. LAUSD shall not incur liability of any kind by reason of granting approval or otherwise allowing Construction or the Project to be developed on the Campus and Developer shall indemnify and defend LAUSD from any and all liability, claims, and/or damages that may arise directly or indirectly from Construction or the Project, except to the extent that such liability, claim, and/or damages arise from LAUSD's breach of this Agreement, gross negligence or willful misconduct.

2.4.9 Notice of Completion. Within fifteen (15) days after Completion of the Project Construction, Developer shall cause a Notice of Completion to be recorded in the office of the Recorder of Los Angeles in accordance with Section 8182 of the California Civil Code ("Civil Code") or any successor statute, and shall furnish LAUSD a copy thereof upon recordation.

2.4.10 Copy of Construction Plans. Upon Completion of Project Construction, Developer shall deliver to LAUSD one (1) set of copies of the Construction Plans with any field changes reflected thereon during the Construction on compact disc or other media specified by LAUSD within ninety (90) days following issuance of a certificate of occupancy or its equivalent. Developer shall also deliver to LAUSD a copy of any warranties relating to the Project and all improvements, equipment and systems therein.

2.5 Use of Project. Developer agrees that Developer shall have no right to use the improvements of the applicable Phase of the Project until it has satisfied all of the following:

2.5.1 Developer has obtained a certificate of occupancy or its equivalent for the applicable Phase of the Project from the DSA and a completed Essential Safety Checklist & Approval Form has been issued by the Office of Environmental Health and Safety (“OEHS”);

2.5.2 The DSA Inspector has completed its inspection and issued clearance for the use of the applicable Phase of the Project and a copy of such has been delivered to LAUSD;

2.5.3 Except for any Punch List Items and disputed claims, the Construction Team has released and waived all claims arising from the portions of the Construction of the Project that are complete, and all liens and encumbrances arising from the same have been discharged from the fee and leasehold as provided in Article IX; and

2.5.4 Developer shall have provided to LAUSD one (1) copy of the initial Construction Plans and any field changes for the Project.

2.6 Failure to Complete Construction. In the event Developer fails to observe the Project Schedule or timely complete Construction of the Project, LAUSD shall have the right to pursue all rights and remedies available at law. In addition to the foregoing, Developer agrees LAUSD shall have the right, but not the obligation, to pursue the completion of Construction of the Project and Developer agrees that if LAUSD makes such election Developer authorizes LAUSD to deduct from the general revenue account of the MORCS school an administrative management fee in an amount equivalent to the actual costs and expenses incurred by LAUSD in completing Construction of the Project. The phrase "general revenue account" shall mean the general purpose entitlement and categorical block grant, as defined in subdivisions (a) and (b) of the California Education Code Section 47632.

### ARTICLE III

#### **OWNERSHIP OF THE PROJECT IMPROVEMENTS**

Subject to CSFP requirements and the Use Agreement, during the term of occupancy by MORCS on the Campus, all improvements of the Project on the Campus shall be owned by LAUSD; provided, further, that the land upon which the Project is situated shall at all times remain the fee property of LAUSD. At the termination of the occupancy by the MORCS of the Campus, Developer shall execute and deliver any documentation required by LAUSD to evidence LAUSD’s ownership of the improvements to the Project, and LAUSD shall have no obligation to pay for the improvements of the Project or provide any compensation to Developer (except for the release of the Augmentation Grant Award under Article XV below). This Article III shall survive the expiration or earlier termination of this Agreement.

### ARTICLE IV

#### **MAINTENANCE AND REPAIR**

4.1 Maintenance and Repair.

4.1.1 Maintenance and Repair Obligations. LAUSD shall not be required or obligated to do any maintenance or to make any repairs, changes, alterations, additions, improvements or replacements of any nature whatsoever in, on or about the Project through completion of Construction. Nothing contained herein shall be construed as requiring LAUSD to make any repairs or to do any maintenance necessitated by reason of the act or omission of Developer or anyone claiming under Developer, or by reason of the failure of Developer, to observe or perform any conditions, covenants or agreements contained in this Agreement, or by reason of any damage to or destruction of other property caused by any improvements, alterations or additions made by Developer or anyone claiming through Developer. All other maintenance obligations are addressed in the Lease under Article 7, including Article 7.9 governing LAUSD supplied maintenance and operation services.

4.1.2 Developer's Maintenance and Repair and Replacement Obligations. Except as otherwise addressed in the agreement for the Prop. 39 Space, at all times during the term of this Agreement and related to Phase I and Phase II activities, Developer, at its sole cost and expense and without cost to LAUSD, shall keep and maintain the Campus in good, clean, sanitary and safe condition and repair and in compliance with all laws, rules, and regulations applicable to a public school and LAUSD's standards, policies and bulletins.

4.2 Survival. This Article IV shall survive the expiration or earlier termination of this Agreement.

## ARTICLE V

### TERM

The term of this Agreement shall commence on the Effective Date and shall expire upon the date of Completion of Project Construction and Developer's satisfaction of Section 2.5 above, unless sooner terminated pursuant to the terms herein or in the Lease (the "Expiration Date"). Notwithstanding the preceding sentence, Developer covenants and agrees that it shall achieve Completion of Project Construction on or before the date that is two (2) calendar years after the date that Developer commences Construction of the Project.

## ARTICLE VI

### CERTAIN COVENANTS

From the Execution Date until the Expiration Date, in addition to any covenants set forth elsewhere in this Agreement, Developer agrees to the following:

6.1 Litigation. Developer shall not commence any litigation with respect to Construction or the Project or affecting LAUSD's interest in the Campus without first providing written notice to LAUSD.

6.2 Funding. Developer shall maintain adequate and acceptable funding arrangements and shall fulfill its funding obligations under this Agreement in order for Developer to undertake the transactions contemplated by this Agreement and for Developer to



complete Construction in accordance with the terms of this Agreement. Upon request by LAUSD, Developer shall provide to LAUSD evidence satisfactory to LAUSD that all such funding arrangements are in place and that all such funding obligations are being fulfilled. Except as expressly provided pursuant to Article XV below, LAUSD discloses and Developer agrees that LAUSD has no obligation to provide any funding in the event Developer does not have sufficient funding to complete the Construction of the Project in accordance with the terms of this Agreement, or any obligation to complete Construction of the Project. LAUSD further discloses that the Project shall be required to comply with LAUSD's Project Stabilization Agreement and the CHPS program, and Developer may be required to temporarily cease Construction until Developer establishes compliance with the Project Stabilization Agreement and the CHPS program.

## ARTICLE VII

### COSTS

Developer shall pay, or cause to be paid: (i) all Costs of the Project; and (ii) all charges which are incurred by Developer or which may be a charge or lien against the Campus, including, without limitation, payments for insurance premiums, gas, electricity, wiring, heating, light, power, other utilities, security, trash removal, disposal and management of Hazardous Materials (as hereinafter defined) to the extent caused by Developer, interior cleaning and janitorial services, ground maintenance, landscaping, cable television, telephone, or other communications systems used, rendered or supplied upon or in connection with the Project, and any other charges, costs, obligations, liabilities, requirements and expenses which arise with regard to the Construction of the Project (collectively, "Developer Costs"), during the term of this Agreement. LAUSD shall not bear any cost, expense or liability for the Construction of the Project. This Article VII shall survive the expiration or earlier termination of this Agreement.

## ARTICLE VIII

### LIENS AND STOP NOTICE CLAIMS

8.1 Developer shall not suffer or permit any liens or stop notice claims to stand against the fee title to the Campus or against the Project, or any part thereof, by reason of any work, labor, services or materials done, or supplied, or claimed to have been done or supplied to Developer or anyone holding the Campus or the Project, or any part thereof, through or under Developer. If any such lien or stop notice claim shall at any time be filed against the Campus or the Project, Developer shall provide LAUSD written notice thereof as soon as notice of such lien, stop notice or action comes to the knowledge of Developer and shall cause the same to be discharged of record within 160 days after the date of the recordation of a notice of completion for the Project, by either payment, recorded release of lien or stop notice, recorded release bond deposit or bond, unless a bond therefor is already in effect or commencement of a lawsuit pursuant to Civil Code Section 8480, et seq. for a decree to release the property from the lien, or in the case of a stop notice, commencement of a summary proceeding pursuant to Civil Code Section 9500 et seq. or Developer's interpleader of funds subject to stop notice claims. If Developer is unable to discharge the lien or stop notice, Developer shall defend and indemnify LAUSD in any mechanics' lien or stop notice litigation filed in connection with the Campus or Project. The failure of

Developer to discharge a lien recorded or stop notice filed on the Campus or the Project, or any part thereof, within 160 days after the date of recordation of a notice of completion for the Project and Developer's refusal to defend and indemnify LAUSD in any mechanics' lien or stop notice litigation filed in connection with the Project shall constitute a Default under this Agreement and any other agreement providing Developer occupancy and use of the Campus. Nothing in this Agreement shall imply any consent or agreement on the part of LAUSD to subject its fee estate in the Campus to liability under any mechanics' lien law or to any claimant as defined in Civil Code Section 8004.

8.2 If any such liens or stop notices are not so discharged within 160 days after the date of recordation of a notice of completion for the Project, LAUSD may, without notice to Developer, without waiving its rights and remedies based on such breach of Developer and without releasing Developer from any of its obligations, cause such liens or stop notices to be released by any means it shall deem proper, including payment in satisfaction of the claim giving rise to such lien. Promptly following notice by LAUSD, Developer shall, but no later than ten (10) business days after Developer's receipt of LAUSD's notice, pay to LAUSD any sum paid by LAUSD to remove such liens, together with interest at the lesser of (a) the rate publicly announced from time to time by the largest (as measured by deposits) chartered bank operating in California, as its prime rate, reference rate or other similar benchmark rate, plus two percent (2%) or (b) the maximum rate then allowed by law (the "Interest Rate"), from the date of such payment by LAUSD, which Interest Rate shall commence as of the day LAUSD makes payment in satisfaction of the claim giving rise to such lien or stop notices and shall continue until Developer has remitted full payment to LAUSD.

8.3 In addition to the foregoing, Developer shall assure that the Project is free of any stop notices filed by Contractor or any of Contractor's subcontractors. In the event any such stop notice is filed, Developer shall provide stop notice releases or stop notice release bonds for each and every stop notice on the Project, along with dismissals of any stop notice litigation. In the event a stop notice is filed with LAUSD, Developer shall provide LAUSD with a stop notice release or stop notice release bond. In addition, Developer shall defend and indemnify LAUSD in any litigation arising from a stop notice filed on the Project.

8.4 The provisions of this Article VIII shall survive the expiration or earlier termination of this Agreement.

## ARTICLE IX

### ENVIRONMENTAL ISSUES

#### 9.1 Hazardous Materials.

9.1.1 Definitions. As used in this Agreement, the following definitions shall apply: "Environmental Laws" shall mean all federal, state and local laws, ordinances, rules and regulations now or hereafter in force, as amended from time to time, in any way relating to or regulating human health or safety, or environmental evaluations of potential school sites or health care facilities, or industrial hygiene or environmental conditions, or protection of the

environment, or pollution or contamination of the air, soil, surface water or groundwater, and includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, *et seq.*, the Clean Water Act, 33 U.S.C. § 1251, *et seq.*, the Hazardous Substance Account Act, California Health and Safety Code § 25300, *et seq.*, the Hazardous Waste Control Law, California Health and Safety Code § 25100, *et seq.*, the Medical Waste Management Act, California Health and Safety Code § 25015, *et seq.*, and the Porter-Cologne Water Quality Control Act, California Water Code § 13000, *et seq.*, Education Code § 17210, *et seq.*, and California Code of Regulations, Title 5 § 14010, *et seq.* "Hazardous Materials" shall mean any substance or material that is described as a toxic or hazardous substance, explosive material, radioactive substance, waste or a pollutant or contaminant or infectious waste, or words of similar import, in any of the Environmental Laws, and includes, but is not limited to, asbestos, petroleum or petroleum products (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), polychlorinated byphenyls, urea formaldehyde, radon gas, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity. "Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment, including continuing migration, of Hazardous Materials into or through soil, air, surface water or groundwater in violation of Environmental Laws.

9.1.2 Developer Covenants. Developer shall not use, produce, process, manufacture, generate, treat, handle, store or dispose of any Hazardous Materials in, on or under the Campus or the Project, or use the Campus or the Project for any such purposes, or Release any Hazardous Materials into any air, soil, surface water or groundwater comprising the Campus or the Project, in each of the foregoing cases, in violation of any Environmental Laws. Developer shall comply with all Environmental Laws applicable to the Campus or the Project, or the construction or use or occupancy thereof, or any operations or activities therein or thereon.

9.2. Hazardous Materials Claims. Each party hereto shall immediately advise the other party in writing of: (i) any written notices received by such party (whether such notices are from the Environmental Protection Agency, or any other federal, state or local governmental agency or regional office thereof) of the violation or potential violation of any applicable Environmental Laws occurring on or about the Campus or the Project, (ii) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened in writing pursuant to any Environmental Laws, (iii) any written notices received by such party of all claims made or threatened by any third party against any party, the Campus or the Project relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials relating to the Campus or the Project (the matters set forth in clauses (i), (ii) and (iii) above are hereinafter referred to as "Hazardous Materials Claims") and (iv) any party's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Campus that could have a reasonable likelihood to cause the Campus or the Project or any part thereof to be subject to any Hazardous Materials Claims. Each party hereto shall have the right but not the obligation to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims.

9.3 Indemnity by Developer. Developer shall be solely responsible for, and shall indemnify, defend and hold harmless LAUSD and its School Board, staff, students, faculty and/or invited guests from and against, any claim, demand, lawsuit, loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, Release by Developer (including its general contractor, subcontractor, representative or owner) of Hazardous Materials on, under or derived from the Campus or the Project in violation of applicable law during the term of this Agreement, including, without limitation: (i) claims of third parties (including governmental agencies) for injury or death to any person or for damage or destruction of any property, (ii) claims for response costs, clean-up costs, costs and expenses of removal and restoration, including fees of attorneys' and experts, and costs of determining the existence of Hazardous Materials and reporting same to any governmental agency, (iii) any and all other claims for expenses or obligations, including attorneys' fees, costs, and other expenses, (iv) any and all penalties threatened, sought or imposed on account of a violation of any Environmental Law, and (v) all fees of any consultants, attorneys and engineering firms retained in connection with monitoring the Hazardous Materials; provided, however, that the foregoing indemnity shall not apply to any claim, demand, lawsuit, loss, damage, cost, expense or liability to the extent arising from (A) any act or omission on the part of the LAUSD, or the staff, faculty, and students or invited guests of LAUSD or any other party claiming through any of the foregoing (provided the same are acting in their official, professional or invited, as applicable, capacity), or (B) any Hazardous Materials that existed on, under or derived from the Campus, the Project or other properties as of the date of this Agreement or which later is found to exist following the date of this Agreement as a result of underground migration.

9.4 Removal of Hazardous Materials. To the extent Developer is liable under Section 9.3 above and in connection with any Hazardous Materials remediation required in connection with the Project, Developer, at its sole cost and expense, shall, with due care, in a safe manner and in accordance with all applicable laws, detain the spread of, ameliorate and remove from the Campus or the Project any Hazardous Materials contamination located on or beneath the Campus or the Project in violation of applicable law and shall monitor or cause to be monitored the levels of Hazardous Materials on, under or derived from the Campus and the Project or in the ground water in accordance with the terms and procedures required by any federal, state or local governmental agency having jurisdiction including, without limitation, any Regional Water Quality Control Board and the Environmental Protection Agency. Further, any and all such remediation shall be according to the following protocol: (1) any such abatement or remediation report, abatement work, and demolition work shall be performed by an LAUSD approved demolition and abatement contractor as applicable; (2) LAUSD's Facilities Environmental Technical Unit ("FETU") shall review and approve any such abatement/remediation report in writing prior to the commencement of any abatement, demolition or removal work of the applicable materials or structures; and (3) FETU shall review all such remediation work, and MORCS shall grant FETU access to all reports, records and files as requested by FETU in connection with overseeing such remediation work, access to the Campus and Leased Premises, and shall promptly respond to all inquiries of and request for information from FETU regarding such remediation work.

9.5 Survival. The provisions of this Article IX shall survive the expiration or earlier termination of this Agreement.

## ARTICLE X

### **INSURANCE; INDEMNITY**

#### 10.1 Developer Insurance.

10.1.1 Insurance. At all times during the term of this Agreement, at Developer's sole cost and expense, Developer shall, as a covenant of this Agreement, provide and keep in force and effect:

10.1.1.1 All Risk Builder's Risk Insurance. "All risk" builder's risk insurance, including vandalism and malicious mischief, covering improvements in place and all material and equipment at the job site. The minimum limits of liability shall be a combined single limit with respect to each occurrence in an amount of not less than that specified in **Exhibit E.**

10.1.1.2 Commercial General Liability Insurance. Commercial General Liability Insurance on an occurrence basis against claims for personal injury, death and/or property damage occurring in or about the Campus or the Project with respect to the Construction thereof. Such insurance shall provide primary coverage without contribution from any other insurance carried by or for the benefit of LAUSD and its Board of Education, and Developer shall obtain blanket broad-form contractual liability coverage to insure its indemnity obligations herein. The minimum limits of liability shall be a combined single limit with respect to each occurrence in an amount of not less than that specified in **Exhibit E.**

10.1.1.3 Fire and Extended Coverage. Fire and hazard "all risk" insurance covering 100% of the full replacement cost valuation of the Project. Such insurance shall provide protection against any peril included within the classification "Fire and Extended Coverage", together with insurance against fire sprinkler damage, vandalism and malicious mischief. Such insurance shall contain (i) no coinsurance or contribution clauses and (ii) a Replacement Cost Endorsement.

10.1.1.4 Automobile Insurance. Primary automobile liability insurance in an amount not less than that specified in **Exhibit E.**

10.1.1.5 Workers' Compensation Insurance. Workers' compensation insurance policies as required by law and Employer's Liability insurance in an amount not less than that specified in **Exhibit E.**

10.1.2 Developer Insurance Policies. All policies of insurance provided for herein shall be issued by insurance companies authorized to do business in California and rated in Best's Insurance Guide, or any successor thereto as having a "Best's Rating" of "A-" or better and a "Financial Size Category" of at least "VII" or better or, if such ratings are not then in effect, the equivalent thereof or such other financial rating as LAUSD may at any time consider appropriate. All policies held by Developer in connection with this Agreement shall name Developer as the insured and LAUSD and the School Board as additional insureds, and shall provide that they may not be cancelled by the insurer for nonpayment of premiums or otherwise

or be terminated or lapse of their own accord or by their own terms until at least thirty (30) days after written notice of the proposed cancellation upon all parties named in such policies as insureds. All insurance required to be carried by Developer shall contain a provision that no act or omission of Developer shall affect or limit the obligation of the insurance company to pay the amount of any loss sustained. All such policies shall contain language to the effect that any loss shall be payable notwithstanding any act or negligence of LAUSD that otherwise might result in the forfeiture of the insurance. All public liability, property damage and other casualty policies shall be written as primary policies, not contributing with any other coverage which LAUSD or Developer may carry. Developer agrees that with respect to all such policies carried by or to be carried by Developer, Developer shall require its insurance broker to provide LAUSD with written notice whenever there are paid losses on Developer's insurance policies which result in a 20% or greater erosion of limits. Upon the Execution Date, and thereafter at least ten (10) days prior to the expiration date of such policy, Developer shall deliver to LAUSD copies of the policies for all the insurance required to be carried by Developer hereunder. Developer shall cause each property insurance policy obtained by Developer to provide that the insurance company waives all right of recovery by way of subrogation against LAUSD or Developer in connection with any damage covered by any such policy or policies, and Developer hereby waives all such claims against LAUSD. LAUSD shall cause each property insurance policy obtained by LAUSD (if any) to provide that the insurance company waives all right of recovery by way of subrogation against Developer or LAUSD in connection with any damage covered by any such policy or policies, and LAUSD hereby waives all such claims against Developer.

10.1.3 Blanket Insurance. Notwithstanding the foregoing, all of the insurance requirements set forth herein on the part of Developer shall be deemed satisfied if covered by a blanket insurance policy providing the coverage required by this Agreement.

10.2 Waiver. Except as otherwise provided in this Agreement or at law or equity, LAUSD shall not be liable for and Developer hereby waives all claims against LAUSD for damage to any property or injury, illness or death of any person in or upon the Campus or the Project arising at any time during the term of this Agreement, except the extent the same results from the gross negligence or willful misconduct of LAUSD or any party claiming through LAUSD. LAUSD shall not be liable for and Developer hereby waives all claims against LAUSD arising in any way due to, in connection with or related to, directly or indirectly, the Campus or the Project or any activities by Developer in, on or about the Campus, including the Construction of the Project, except the extent the same results from the negligence or willful misconduct of LAUSD or any party claiming through LAUSD.

LAUSD and Developer hereby agree and acknowledge that Developer is acting on its own behalf in constructing the Project and is not operating as an agent of LAUSD. Should LAUSD, through no fault of LAUSD, be named as a defendant in any suit brought against Developer in connection with or related to, directly or indirectly, Developer's Construction of the Project, Developer shall pay to LAUSD the costs and expenses LAUSD incurs in such suit, including without limitation, its actual professional fees such as appraisers', accountants' and attorneys' fees.

The provisions of this Section 10.2 shall survive the expiration or sooner termination of this Agreement.

10.3 Developer Indemnity. In addition to the Developer's other indemnity obligations set forth elsewhere in this Agreement, to the fullest extent permitted by law, Developer shall indemnify, protect, defend and hold LAUSD and its staff, students, faculty and invited guests harmless from and against any and all claims, losses, costs, loss, attorneys' fees, damages, expenses and liabilities incurred or arising from any cause in connection with: (i) the Construction of the Project, (ii) the failure of Developer to pay or cause to be paid any Developer Costs, (iii) the failure of Developer to observe or perform any of the terms, covenants or conditions of this Agreement on Developer's part to be observed or performed and (iv) any claim by a third party that LAUSD is responsible for any actions by Developer in connection with the Construction of the Project (collectively "Liabilities"). Notwithstanding anything to the contrary set forth in this Section 10.3, the provisions of this Section 10.3 shall not apply to the extent that all or part of the Liabilities are due to the negligence, willful misconduct or act or omission of LAUSD or its staff or invitees (provided the same are acting in their official, professional or invited, as applicable, capacity). Developer agrees to promptly notify LAUSD of the commencement of any litigation or proceedings pending, threatened or commenced in writing (whether or not served) against Developer or any Developer representatives in connection with the matters covered hereby. The provisions of this Section 10.3 shall survive the expiration or sooner termination of this Agreement.

## ARTICLE XI

### DEFAULT; REMEDIES

11.1 LAUSD's Default. LAUSD shall not be in default of any of its obligations under this Agreement unless LAUSD fails to perform such obligations within a reasonable time, but in no event less than thirty (30) days, after written notice by Developer to LAUSD specifying wherein LAUSD has failed to perform such obligations; provided, however, that if the nature of LAUSD's default is such that more than thirty (30) days are required for its cure, LAUSD shall not be in default if LAUSD commences such cure within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

11.2 Developer's Remedies. In the event of any default by LAUSD as described in Section 11.1 above, subject to all applicable laws that may restrict remedies against a school district, including, but not limited to, restrictions within the Education Code, Developer's sole remedies under this Agreement are to pursue LAUSD for actual damages, including reasonable attorneys' fees and costs, resulting from LAUSD's default.

11.3 Developer's Default. The occurrence of any one of the following events shall be considered a "Default" of this Agreement by Developer:

11.3.1 Costs. The failure of Developer to pay or cause to be paid before delinquency any Developer Costs or other fees, charges, or payments due hereunder, or to observe or perform any of Developer's financial covenants and obligations hereunder.

11.3.2 Construction. The failure of Developer to construct the Project in substantial accordance with the Construction Plans or to observe or perform any of its covenants and obligations hereunder pertaining to Construction.

11.3.3 Project Schedule. The failure of Developer to meet the deadline for any milestone as set forth in the Project Schedule, or to observe or perform any of its covenants and obligations hereunder pertaining to the Project Schedule.

11.3.4 Liens. The failure of Developer to discharge a lien recorded on the fee title to the Campus or the Leased Premises or on the Project, or any part thereof caused by Developer or any party claiming through Developer relating to Construction of the Project, or to observe or perform any of its covenants and obligations hereunder pertaining to liens on the Campus or on the Project.

11.3.5 Insolvency. The making by Developer of any general assignment or general arrangement for the benefit of creditors, or the filing by or against Developer of a petition to have Developer adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Developer, the same is dismissed as soon as reasonably practical but in any event within 120 days), or the appointment of a trustee or receiver to take possession of substantially all of Developer's assets in the Project or on the Campus or of Developer's interest in this Agreement, where possession is not restored to Developer as soon as reasonably practical but in any event within 60 days, or the attachment, execution or other judicial seizure of substantially all of Developer's assets in the Project or on the Campus or of Developer's interest in this Agreement, where such seizure is not discharged as soon as reasonably practical but in any event within 60 days.

11.3.6 Assignment. The actual or attempted assignment, transfer, mortgage, encumbrance, or lease of, or the actual or attempted granting of any license, concession, franchise or other permission to use the Campus or the Project, except as provided herein, by Developer, or the actual or attempted assignment or attempted assignment of this Agreement by Developer, in violation of Article XIII hereof.

11.3.7 Failure to Perform. The failure of Developer to perform or observe any of Developer's covenants and obligations hereunder or under the Lease.

Notwithstanding anything to the contrary contained in this Agreement, LAUSD shall have no rights as a result of any Default until LAUSD gives thirty (30) days written notice to Developer specifying the nature of the Default. Developer shall then have the right to cure such Default, and Developer shall not be deemed in default if Developer cures such Default within thirty (30) days after receipt of notice of the Default; provided, however if the nature of the Default is such that it cannot be cured within said thirty (30) days, Developer shall commence the cure within said thirty (30) days and prosecute such cure with diligence to completion.

11.4 LAUSD Remedies. In the event of any Default by Developer, after the expiration of any applicable cure period provided herein to Developer, LAUSD may pursue any rights or remedies it may have at law, in equity or otherwise and the pursuit of any right or remedy shall not waive nor prohibit LAUSD from pursuing any other available right or remedy, including the following additional rights:

11.4.1 Right to Perform. LAUSD shall have the right, but not the obligation, to enter the Project or the Campus at all times for the purpose of performing any covenant or



condition that Developer has failed to perform, at LAUSD's option. All costs incurred by LAUSD in so performing shall promptly be reimbursed to LAUSD by Developer, together with 10% of the costs and expenses incurred by LAUSD or the amount expended under any performance or surety bond as an administrative/management fee and interest at the Interest Rate, from the date such cost or expense is incurred by LAUSD following Developer's Default up to and including the date paid. In rendering such performance, LAUSD shall have the right to execute any agreements relating to Construction, or otherwise in connection with, the Campus and/or the Project. Any performance by LAUSD of Developer's obligations shall not waive or cure such Default.

11.4.2 Costs of Enforcement. LAUSD shall have the right to reimbursement from Developer promptly following demand by LAUSD for all costs and expenses incurred by LAUSD, including attorneys' fees (whether or not legal proceedings are instituted), in enforcing the covenants and obligations of Developer under this Agreement.

## ARTICLE XII

### **ASSIGNMENT; LEASE; ENCUMBRANCES**

12.1 Assignment by Developer. Developer shall not assign this Agreement or any rights and obligations hereunder without the prior written approval of LAUSD, which approval may be denied or conditioned in LAUSD's sole and absolute discretion. Notwithstanding anything to the contrary contained in this Agreement, the Augmentation Grant Award is personal to the Developer and is not transferrable in connection with any assignment of this Agreement.

12.2 Reserved.

12.3 Reserved.

12.4 Mortgage by Developer. Developer shall not execute a mortgage encumbering all or any portion of the right, title and estate of Developer in the improvements of the Project, without LAUSD's prior written consent which may be withheld in LAUSD's sole and absolute discretion. In the event a mortgage on the improvements of the Project is allowed, then such mortgage shall at all times be subject and subordinate to, and shall not affect or become a lien upon, LAUSD's fee estate in the Campus, and shall only encumber Developer's right, title or interest in the improvements of the Project or Developer's leasehold interest.

12.5 Encumbrance. Developer shall not, without the prior written consent of LAUSD, encumber its interest in the improvements of the Project, or any part thereof, and if Developer fails to ensure that such encumbrance is subordinated to LAUSD's fee estate in the Campus and if Developer fails to comply with this Section 12.5, such failure shall be deemed to be an immediate Default hereunder.

12.6 Other. Any assignment, transfer, mortgage, encumbrance or lease of, or any license, concession, franchise or other permission to use the improvements of the Project or the Campus granted by Developer to any person or entity shall be expressly subject and subordinate

to all applicable terms and conditions of this Agreement. Any purported or attempted assignment, transfer, mortgage, encumbrance or lease of, or any license, concession, franchise or other permission to use the improvements of the Project or the Campus contrary to the provisions of this Article XII shall be void, constitute a Default under this Agreement, and, at the option of LAUSD, shall terminate this Agreement.

12.7 LAUSD Approval. Notice of any actual or proposed assignment, transfer, mortgage, encumbrance, lease or hypothecation of the improvements of the Project, the Campus or this Agreement shall be given by Developer to LAUSD, together with a copy of the proposed documentation thereof (including, in the event of an assignment, the assumption document in which the assignee or proposed assignee agrees to assume all obligations of Developer under this Agreement), with all necessary and appropriate details for LAUSD to provide an approval. Any approval or disapproval by LAUSD under this Article XII is at LAUSD's reasonable discretion.

12.8 Costs. Developer shall reimburse LAUSD for LAUSD's costs and attorney's fees incurred in conjunction with the processing and documentation of any actual or proposed assignment, transfer, mortgage, encumbrance, lease or hypothecation of the improvements of the Project, the Campus or this Agreement by Developer, or any license, concession, franchise or other permission to use the improvements of the Project or the Campus granted by Developer to any person or entity.

12.9 Assignment by LAUSD. Subject to applicable legal requirements, LAUSD shall have the right at any time and from time to time during the term of this Agreement to sell or assign all or any portion of its fee interest in the Campus; provided, however, that under no circumstances shall LAUSD assign all or part of the Campus to any entity separate from LAUSD's interests and obligations under this Agreement. Notice of any assignment or proposed assignment of this Agreement made in conjunction with such transfer shall be given by LAUSD to Developer at least thirty (30) days prior to such assignment or proposed assignment, together with a copy of the assumption document by which the assignee or proposed assignee agrees to assume all obligations of LAUSD under this Agreement.

## ARTICLE XIII

### NOTICES

Any notice or communication required or permitted hereunder shall be given in writing, sent by (a) personal delivery delivered by a representative of the party giving such notice, or (b) overnight delivery by recognized overnight courier, or (c) United States mail, postage prepaid, registered or certified mail or (d) facsimile, addressed to the person(s) identified in Exhibit E or to such other address or to the attention of such other person as hereafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been delivered either at the time of personal delivery actually received by the addressee or a representative of the addressee at the address provided above or, if delivered on a business day in the case of delivery service or certified or registered mail, as of the earlier of the date delivered or the date seventy-two (72) hours following the date deposited in the United States mail at the address provided herein, or if by telecopier, upon electronic confirmation of good receipt by the receiving telecopier. Developer and LAUSD hereby agree that notices may be given

hereunder by the parties' respective counsel and that, if any communication is to be given hereunder by Developer's or LAUSD's counsel, such counsel may communicate directly with all principals as required to comply with the provisions of this Article XIII.

#### ARTICLE XIV

#### MISCELLANEOUS

14.1 LAUSD's Successors. In the event of any transfer of the fee title of or interest in the Campus, LAUSD shall be relieved, from and after the date of such transfer, of all liability for LAUSD's obligations hereunder thereafter to be performed, provided such transferee accepts and assumes all such liability in writing. The obligations contained in this Agreement to be performed by LAUSD shall, subject as aforesaid, be binding on LAUSD's successors and assigns only during their respective periods of ownership. Notwithstanding anything to the contrary contained in this Agreement, all indemnities set forth in this Agreement shall survive the expiration or earlier termination of this Agreement.

14.2 Intentionally omitted.

14.3 Captions. The captions and headings in this Agreement are inserted only as a matter of convenience and for reference, and they in no way define, limit or describe the scope of this Agreement or the intent of any provision thereof.

14.4 Choice of Law. This Agreement shall be governed and construed by the laws of the State of California.

14.5 Interpretation. This Agreement shall be deemed to be jointly prepared by both of the parties hereto, and any ambiguities or uncertainties herein shall not be construed for or against either of the parties hereto.

14.6 Further Assurances. LAUSD and Developer agree to execute all documents and instruments reasonably required in order to consummate the transactions contemplated under this Agreement.

14.7 Attorneys' Fees. In the event either party hereto should commence an action against the other to enforce any obligation set forth herein, the unsuccessful party shall pay to the prevailing party its cost of litigation or arbitration, including reasonable attorneys' fees.

14.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same instrument.

14.9 Entire Agreement. This Agreement, the Use Agreement and the additional agreements entered into concurrently with and as a condition precedent to the effectiveness of the Use Agreement contain all of the agreements of the parties hereto with respect to the matters covered hereby, and no prior agreements, oral or written, or understandings or representations of any nature whatsoever pertaining to any such matters shall be effective for any purpose unless expressly incorporated in the provisions of this Agreement. The provisions of this Agreement

shall not be amended or altered except by an agreement in writing signed by both of the parties hereto.

14.10 Successors and Assigns. Subject to the provisions hereof relative to assignment and to Section 13.1 hereof, this Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, transferees, successors and assigns of the respective parties hereto.

14.11 Time Is of the Essence. Time is of the essence with respect to the performance or observance of each of the obligations, covenants and agreements under this Agreement. Except as otherwise provided herein, the parties agree that any matter that requires the approval or consent of a party under this Agreement, such approval or consent shall be given or withheld within thirty (30) days following request; provided, however, if the party fails to respond in such time period or if the party denies or disapproves the request and fails to specify in detail the reasons for such denial or disapproval, then the request shall be deemed disapproved.

14.12 Gender. As used herein, the neuter gender includes the feminine and the masculine, the masculine includes the feminine and the neuter and the feminine includes the masculine and the neuter, and each includes corporation, partnership or other legal entity when the context so requires.

14.13 Waiver. Either party hereto may waive the satisfaction or performance of any conditions or agreements in this Agreement which have been inserted for its own benefit, so long as the waiver is signed and specifies the waived condition or agreement and is delivered to the other party hereto. No waiver of any provision hereof shall be deemed a waiver of any other provision hereof. Consent to or approval of any act by one of the parties hereto shall not be deemed to render unnecessary the obtaining of such party's consent to or approval of any subsequent act, nor shall any custom or practice which may develop between the parties in the administration of the terms hereof be deemed a waiver of, or in any way affect, the right of one of the parties to insist upon the performance by the other party in strict accordance with said terms.

14.14 Cumulative Remedies. No remedy herein shall be considered exclusive of any other remedy, but the same shall be cumulative and, shall be in addition to every other remedy given hereunder now or hereafter existing at law or in equity or by statute, and every power and remedy given by this Agreement may be exercised from time to time and as often as occasion may arise or as may be deemed expedient.

14.15 No Subordination. Nothing contained in this Agreement shall be deemed to subordinate LAUSD's interest in the Campus to the interest of Developer.

14.16 Severability. The invalidity or unenforceability of any provision of this Agreement as determined by a court of competent jurisdiction shall in no way affect the validity of any other provisions hereof.

14.17 Force Majeure. All time periods set forth in this Agreement shall be extended by one day for each day of Force Majeure Delay that occurs, but in no event shall the Completion of Project Construction be extended by more than 180 days as a result of Force Majeure Delays.

"Force Majeure Delay" shall mean any actual delays due to strikes, lockouts or other labor disturbance, civil disturbance, riot, sabotage, blockage, embargo, inability to secure materials, supplies or labor through ordinary sources by reason of regulation or order of any government or regulatory body, severe or unusual shortages of material, supplies or labor, lightning, rain, earthquake, fire, storm, hurricane, tornado, flood, washout, explosion, terrorist act, or any other cause outside of LAUSD's or Developer's reasonable control; provided, however, that, notwithstanding the foregoing, Developer shall in any event pay any sum of money required to discharge any lien if at any time the Campus, or portion thereof, or the Project, or any part thereof, shall be in danger of being foreclosed, forfeited or lost.

14.18 Reimbursement Charges. Notwithstanding anything to the contrary set forth in this Agreement, other than in the context of a default under this Agreement, the parties shall reasonably cooperate with each other to minimize any and all reimbursement obligations under this Agreement.

14.19 Incorporation. The terms and conditions of the Exhibits attached hereto are incorporated herein by this reference thereto.

- Exhibit A-1 Original Site Plan
- Exhibit A-2 Site Plan
- Exhibit B: Project Schedule
- Exhibit C: Form of Payment and/or Performance Bond
- Exhibit D: Index of DSA Approved Construction Plans
- Exhibit E: Insurance Requirements
- Exhibit F: Form of Progress Report
- Exhibit G: Form of Contractor Invoice
- Exhibit H: MOU
- Exhibit I: Fingerprinting Requirements

14.20 Days. The word "days" as used in this Agreement shall mean and refer to calendar days unless expressly stated as business days and, due to budget cuts, shall not include any furlough day observed by LAUSD. If the time period for the performance of any act under this Agreement expires on a Saturday, Sunday or any other day in which banking institutions in the State of California are authorized or obligated by law or executive order to close ("Holiday"), the act in question may be performed on the next succeeding day that is not a Saturday, Sunday or Holiday.

14.21 Signatures. Each individual executing this Agreement on behalf of Developer represents and warrants that he or she is duly authorized to execute and deliver this Agreement

on behalf of Developer, and that this Agreement is binding upon Developer in accordance with its terms. Each individual executing this Agreement on behalf of LAUSD represents and warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of LAUSD and that this Agreement is binding upon LAUSD in accordance with its terms.

## ARTICLE XV

### **DISBURSEMENT OF AUGMENTATION GRANT AWARD**

The Augmentation Grant Award shall be used to fund the costs of the Project, including, but not limited to the removal of the seven portable classrooms included in the Phase I and II scope of work. The removal of these buildings will be funded by the Augmentation Grant without restriction to the availability of other project funds, in order to ensure timely removal of the portable buildings. The scope of work associated with the removal of portable buildings in Phase I and II can be contractually procured by either LAUSD or Developer. In the event that the LAUSD manages the removal of said portable buildings, the augmentation grant funds can be utilized for the associated costs upon written consent from Developer. In the event the Developer manages the removal of the portable buildings, Developer shall submit a copy of all contracts required for the abatement and removal of the buildings.

With the exception of the costs associated with the removal of the seven portable classrooms, the Augmentation Grant Award shall be used by Developer to fund the Cost of the Project after the expenditure of all but \$1,000,000 of the CSFP Award and any and all other funds Developer is using to complete the Project other than the Augmentation Grant Award. Any amounts of the Augmentation Grant Award not drawn by Developer under this Agreement may be reallocated by LAUSD under its facilities bond program. LAUSD shall disburse funds up to the Augmentation Grant Award in as many as, but not more than, five (5) Disbursements (defined below) to be used by Developer to fund the Costs of the Project pursuant to the following procedure:

15.1 **Application for Disbursement.** At least sixty (60) days prior to the month in which Developer projects it will need to make a draw against the Augmentation Grant Award, Developer shall submit to LAUSD a written itemized statement(s) signed by Developer ("**Application**") setting forth:

15.1.1 the total amount projected to be incurred by Developer and to be paid for from the Augmentation Grant Award (each a "**Disbursement**"), and such Disbursement shall not be more than the amount reasonably estimated by Developer required to complete the projected work to be performed, material to be supplied and/or costs to be incurred or due for sixty (60) days after the Disbursement is released;

15.1.2 an invoice in the form attached hereto as **Exhibit G** showing the projected work to be performed, material to be supplied and/or costs to be incurred or due in

connection with the Project (and are reasonably incurred in connection with the Cost of the Project) and the specific time period for which Disbursement is requested;

15.1.3 a Progress Report describing the portion of the Project that has been completed;

15.1.4 an officer's certificate, signed by an officer of Developer, certifying to LAUSD that there is no default under the Lease or this Agreement and that Developer has sufficient funds (after taking into account Developer's receipt of the Disbursement that is the subject of the Application) for the Completion of Project Construction, along with a bank statement, dated not less than thirty (30) days before the date of such officer's statement, evidencing the availability of such funds; and

15.1.5 the materials required to be delivered to LAUSD under Section 15.2.4 below for LAUSD's review and approval or waiver as conditions precedent to the applicable Disbursement.

15.2 Conditions Precedent to Each Disbursement. LAUSD shall have the right to condition the release of any Disbursement from the Augmentation Grant Award upon LAUSD's review and approval or written waiver of any and all of the following conditions:

15.2.1 LAUSD's receipt of a timely and complete Application, including without limitation, the contents of such Application;

15.2.2 no Default under this Agreement, the Lease or the Use Agreement is then occurring or an event that with notice and the passage of time would constitute a Default under such agreements;

15.2.3 LAUSD's inspection of the improvements and verification of completion of improvements that were to have been constructed up to the date of the Application then being reviewed by LAUSD; and

15.2.4 Prior to the first Application for Disbursement, Developer shall have delivered to LAUSD an officer's certificate, signed by an officer of Architect or Contractor, certifying to LAUSD that, based on the current Project plan and timeline, within sixty (60) days following the date of such officer's certificate, the cost required for Completion of Project Construction (including without limitation, the Specific Phase II Improvements) will be less than the sum of (i) Augmentation Grant Award plus (ii) \$1,000,000.00, along with documentation evidencing the portion of the Project that has been completed and the portion of the Project remaining to be completed (and the cost thereof) as of the date of such certificate.

15.3 Funding of the Disbursement. Provided that the conditions precedent have been reviewed and approved or waived by LAUSD, LAUSD shall use commercially reasonable efforts to wire the applicable Disbursement to an account specified and controlled by Developer within sixty (60) days of Developer's timely and complete Application, which funds Developer shall thereafter use to pay for the Cost of the Project and for no other purpose.

IN WITNESS WHEREOF, LAUSD and Developer have executed this Agreement as of the dates set forth with the respective signatures.

LAUSD:

LOS ANGELES UNIFIED SCHOOL DISTRICT,  
a school district duly formed and existing under the  
laws of the State of California

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

DEVELOPER:

YPI CHARTER SCHOOLS, INC.,  
a California nonprofit corporation duly  
formed and existing under the laws of the  
State of California

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



EXHIBIT A-1

Original Site Plan

(see attached)

EXHIBIT A-2

Site Plan

(see attached)

**EXHIBIT B**

**Project Schedule**

EXHIBIT C

Form of Payment and/or Performance Bond

**FAITHFUL PERFORMANCE BOND**

WHEREAS \_\_\_\_\_, a California public benefit corporation, hereinafter called Developer, and

\_\_\_\_\_ hereinafter called CONTRACTOR, have entered into a Contract, which is incorporated by reference herein in its entirety, dated:

\_\_\_\_\_ for:

\_\_\_\_\_ Contract Amount:

\_\_\_\_\_ NOW, THEREFORE, CONTRACTOR, as Principal, and \_\_\_\_\_ as Surety; are held and firmly bound to Developer, its successors and assigns in the amount set forth under the bond, for the payment whereof in the manner specified, the CONTRACTOR and Surety bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents:

FAITHFUL PERFORMANCE BOND

In an amount equal to One Hundred Percent (100%) of the above Contract Amount. The condition of this obligation is that if the CONTRACTOR shall in a workmanlike manner promptly, competently, and faithfully perform all of the terms and conditions of the Contract in strict conformity therewith, then this obligation shall be null and void, otherwise it shall remain in full force and effect

The Surety, for value received, hereby stipulates and agrees that no adjustment to the Contract Amount and or Contract Times, alteration, additions and/or deletions to the terms of the Contract, or to the work to be performed thereunder, shall in anyway affect its obligations on the above bond, and it does hereby waive notice of any such change, adjustment, alteration, addition or deletion to the terms of the Contract Documents. The Surety hereby acknowledges and agrees that Developer may assign its rights herein to the State of California or any state agency providing funding or financing for the Project, a private or institutional lender providing funding or financing for the Project and any school district with whom Developer has a charter agreement without the consent of Surety.

No final settlement between the Developer and the Contractor shall abridge the right of any beneficiary hereunder, whose claim may be unsatisfied.

In case any suit is brought upon this bond, reasonable attorneys' fees shall be awarded to the prevailing party, only the amount thereof being within the Court's discretion. Attorneys' fees awarded against the Surety can exceed the penal sum of this bond.

Signed and sealed this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

CONTRACTOR

SURETY

By \_\_\_\_\_  
Attorney-in-Fact

By \_\_\_\_\_  
Title \_\_\_\_\_

Address \_\_\_\_\_  
Telephone Number \_\_\_\_\_  
Bond Number \_\_\_\_\_

Developer will obtain the following certification:

**CERTIFICATION BY LOS ANGELES COUNTY CLERK'S OFFICE OR THIRD PARTY  
APPROVED BY LAUSD**

I hereby certify:

1. The named Surety is currently certified by the State Insurance Commissioner as an admitted Surety Insurer and such authority is in full force and effect; and
2. (A) This office has on file the financial statement of the named surety for the period ending \_\_\_\_\_ showing capital and surplus not less than ten (10) times the Contract Amount, or (B) such other evidence reasonably acceptable to the LAUSD.

EXHIBIT D

Index of DSA Approved Construction Plans

(see attached)

EXHIBIT E

Specific Information or Requirements

**Builder’s Risk Insurance** See Section 10.1.1 above.

For the total value of the Project, currently projected to be \$18,000,000

**Commercial General Liability Insurance:** See Section 10.1.1.1 above.

Minimum limit of not less than \$5,000,000 per occurrence, \$5,000,000 annual aggregate, and \$5,000,000 umbrella policy.

**Automobile Insurance:** See Section 10.1.1.3 above.

Minimum of \$1,000,000 per occurrence covering owned, hired and non-owned vehicles used by Developer.

**Worker’s Compensation Insurance:** See Section 10.1.1.4 above.

Minimum of \$1,000,000 or that required by law, whichever is higher.

**Addresses for Notices:** See Article XIII

- To Developer: Monseñor Oscar Romero Charter School  
YPI Charter Schools, Inc.  
Attn: Yvette King-Berg, Executive Director  
9400 Remick Avenue  
Pacoima, CA 91331  
Telephone: (818) 305-2791  
Fax: (818) 847-7659  
E-mail: [ykingberg@ypics.org](mailto:ykingberg@ypics.org)
- To LAUSD: Los Angeles Unified School District  
333 South Beaudry Avenue, Floor 23  
Los Angeles, CA 90017  
Attention: Office of General Counsel –Facilities Legal  
Facsimile: (213) 241-8386
- and a copy to: Los Angeles Unified School District  
333 South Beaudry Avenue, Floor 23  
Los Angeles, CA 90017  
Attention: Issam Dahdul, Facilities Development Manager  
Phone: (213) 241-6478  
Facsimile: (213) 241-6782

EXHIBIT F

Form of Progress Report

(See Attached)



EXHIBIT G

Form of Contractor Invoice

(See Attached)

EXHIBIT H

MOU

**Memorandum of Understanding  
By and Between the Los Angeles Unified School District and YPI Charter Schools Inc. , a  
California nonprofit public benefit corporation**

This Memorandum of Understanding (“MOU”) is dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014 (“Effective Date”) by and between the Los Angeles Unified School District (“LAUSD” and/or “District”), a political subdivision of the State of California, and YPI Charter Schools Inc. , a California nonprofit public benefit corporation, and the operator of the Monseñor Oscar Romero Charter School, a charter school duly existing under the laws of the State of California (collectively, jointly and severally (“Developer”).

Whereas, the California Labor Code requires the payment of prevailing wages which requires all workers employed on a public works project be paid not less than the general prevailing wage rate of per diem wages, including but not limited to payment for travel and subsistence; and not less than the general prevailing rate of per diem wages for holiday, overtime and shift differential work, as determined by the California State Director of Industrial Relations for each craft, classification or type of work needed to execute the work.

Whereas, the California Labor Code requires an awarding body to pay a fee to the Department of Industrial Relations to monitor and enforce compliance with applicable prevailing wage requirements or operate an approved Labor Compliance Program for any public works project paid for in whole or in part out of public funds.

Whereas, Charter School intends to construct a new school facility upon certain LAUSD-owned real property which will be partially or fully publicly funded known as the Monseñor Oscar Romero Charter School Project.

Whereas, the District operates an approved Labor Compliance Program (“LAUSD LCP”) in lieu of paying a fee to the DIR and it is the intent of the District to actively enforce this program upon all District construction sites requiring the payment of prevailing wage rates.

Now, therefore, in consideration of the mutual covenants and terms contained herein, the parties agree as follows:

**1. Principles of Agreement**

The District’s Labor Compliance Department will monitor and enforce all applicable statutes, laws, and regulations governing the payment of prevailing wages on the Monseñor Oscar Romero Charter School Project. Developer agrees to cooperate with the District LCD to monitor and enforce the payment of prevailing wages, including, but not limited, to the withholding of contract payments where necessary on the Monseñor Oscar Romero Charter

School Project (“project”) and the depositing of any and all penalties incurred as a result of enforcement with the District.

## 2. **Developer Rights and Obligations**

- 2.1. In General. Developer through and by its Principal agrees to assist LAUSD LCP in investigation, monitoring and enforcement of prevailing wage laws and regulations.
- 2.2. Listing of Prevailing Wage Requirements in Bid and Contract Documents. Developer agrees to include appropriate language in accordance with the requirements of Labor Code section 1771.5 in all bid invitations and contracts.
- 2.3. Documents and Information. Developer agrees to provide all the below information and resources to the LCP for the purposes of monitoring, investigating, and enforcement of prevailing wages:
  - a. Bid Language
  - b. Contact person for Labor Compliance
    - i. Contact Information of Project Manager in charge for both Prime Contractor and District Representative
    - ii. Pre-Job/Pre-Bid Notification
    - iii. Charter School Project Manager
  - c. Contract Documents
    - i. Contract Language (General Conditions)
    - ii. Copy of Signed Contract Agreement
    - iii. Proof of Insurance from Prime Contractor/Subcontractors (Bonding Companies with bond number)
    - iv. Scope of Work and General Conditions of Contract
    - v. Notice to Proceed
    - vi. Copy of Request for Proposals/Request for Qualifications
    - vii. Bid Tabulation and Selection of Prime Contractor with Award Amounts and Bid Amounts
    - viii. List of Contact Information for Prime and all Subcontractors
    - ix. Signed Agreements from Contractors to abide by Project Stabilization Agreement
    - x. Notice of Completion
  - d. Project Documents
    - i. Inspection Diaries
    - ii. Daily Reports
  - e. Other documents as deemed necessary
- 2.4. Submit PWC 100 form to DIR. Pursuant to Labor Code 1773.3 the Developer, shall, within five (5) days of award submit the PWC 100 form to the DIR. The Developer will indicate LAUSD Labor Compliance Department as the agency responsible for carrying out the Awarding Body’s LCP for the project. The following contact information will be included on the form:

- 2.4.1.1. Name: Tybouy Tang-Wong
  - 2.4.1.2. Email Address: [lcp@lausd.net](mailto:lcp@lausd.net)
  - 2.4.1.3. Contact Number: (213) 241-4665
- 2.5. Notice of Withholding of Contract Payments. Developer agrees to assist LAUSD in the investigation, monitoring, and enforcement of prevailing wages including, but not limited to, the withholding of contract funds as determined by the LAUSD LCP. Developer will withhold contract payments pursuant to Labor Code section 1727(a) from contractors when a Notice of Withholding Contract Payments has been issued by the LCP. When there has been a final determination that a contractor has violated prevailing wage requirements, whether through non-response, settlement agreement, decision by the DIR, or any other means, funds in an amount equal to the amount of back wages, training funds, penalties, and liquidated damages assessed shall be deemed forfeited by the contractor. Penalties forfeited by contractors pursuant to LCP actions under this MOU shall be deposited to the LAUSD.
- 2.6. Job Site Posting at Project – LAUSD Monitoring. Developer agrees to post Exhibit A at the job site to inform the public and workers that this is a project monitored by the LAUSD LCP and that the payment of prevailing wages is required.
- 2.7. Site Visits – LAUSD Monitoring. Developer agrees to allow LAUSD and representative from LAUSD’s Work Preservation Group access to project to conduct in-person inspections at the job site randomly or as deemed necessary by the LAUSD LCP. Activities will include interviewing workers while working, taking pictures of workers and/or project site.
- 2.8. Miscellaneous. – Developer will forward Labor Compliance related complaints, requests, Public Record Act requests, etc. to LAUSD LCP. Any documents intended for LAUSD LCP sent to Developer shall be forwarded to LAUSD LCP.

### 3. **LAUSD’S Rights and Obligations**

- 3.1. In General. LAUSD acknowledges that the purpose of this MOU is to provide prevailing wage monitoring and enforcement services to Developer. The District’s Labor Compliance Department (“LCD”) will be responsible in conducting all prevailing wage monitoring and enforcement activities as required by California Labor Code and California Code of Regulations.
- 3.2. Expenses and Costs. Expenses and costs associated with the monitoring, investigation, and enforcement of prevailing wages will be funded through the District’s Charter Bond Fund Overhead Account
- 3.3. LCD Administration. The LCD shall maintain its status as an approved Labor Compliance Program and continue to perform all duties and responsibilities required of such program. The LCD will provide the following administrative duties:

- a. Receive and maintain Certified Payroll Reports (CPRs) and all related payroll records;
  - b. Act as Custodian of Record for labor compliance related documents for the project;
  - c. Respond to all public record request(s) in a timely manner;
  - d. Maintain a database of all incidents of non-compliance of prevailing wage requirements on project. Contractors/subcontractors found to be in non-compliance with prevailing wage requirements will have their assessments posted at <http://www.laschools.org/contractor/lc/documents/download/lc-assessments/lc-assessments.xls> for three (3) years.
- 3.4. Education. The LCD will provide education to contractors and subcontractors in the prevailing wage requirements. Education activities to be provided by the LCD shall include the following:
- 3.4.1.1. Labor Compliance Certification class;
  - 3.4.1.2. Labor Compliance Re-certification class;
  - 3.4.1.3. Online Certified Payroll Reporting System Hands-On Training;
  - 3.4.1.4. Attendance of pre-construction/job start meetings to explain prevailing wage requirements to all contractors present;
  - 3.4.1.5. Labor Compliance pre-job conference video available via LAUSD LCD website.
- 3.5. LCD Monitoring and Enforcement. The LCD shall monitor and analyze contractors' compliance with the prevailing wage requirements as mandated by the California Labor Code and California Code of Regulations. Monitoring and analysis by the LCD shall include but not be limited to the following:
- 3.5.1.1. Require contractors and subcontractors of every tier to submit Certified Payroll Reports ("CPRs") to the District's Online Certified Payroll Reporting system on a weekly basis.
  - 3.5.1.2. Monitor, review and confirm contractors' CPRs to ensure compliance with State prevailing wage laws and requirements.
  - 3.5.1.3. Investigate and resolve prevailing wage issues arising with from monitoring, review and confirmation of CPRs.
  - 3.5.1.4. Respond to complaints and conduct investigations into allegations of noncompliance of prevailing wages.
  - 3.5.1.5. Conduct source document reviews of contractors to verify compliance of prevailing wage requirements.
  - 3.5.1.6. Conduct on-site interview with workers and contractors to ensure payment of prevailing wages and compliance with prevailing wage laws for all workers

working on the project. Site visits may be conducted by the District's Work Preservation Group Volunteers.

- 3.6. Staffing and Support. The LCD will assign necessary and sufficient staff to perform the administrative, education, monitoring and enforcement activities within the scope of services of this MOU. This will include providing staff to provide evidence in any hearing and providing legal representation at any hearing before the Director of Industrial Relations ("Director"), or in any court proceeding challenging a decision by the Director.

3.6.1.1. A designated person from the LCD will be assigned to Developer to conduct all activities referenced above and be the direct contact person for all questions related to this MOU and its activities.

#### 4. Miscellaneous

- 4.1. Law Governing: This MOU shall be governed by, interpreted under, and enforced in accordance with the laws of the State of California. In any action or proceeding arising herefrom, the parties hereby consent to the jurisdiction of any competent court within the Los Angeles County.
- 4.2. Counterparts; Facsimile Signatures: This MOU may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, together shall constitute one and the same instrument. Facsimile signatures shall be binding upon receipt.
- 4.3. Supplemental Agreements; Amendments: This MOU reflects the entire agreement between the parties. There are no additional agreements expressed or implied. However, any modification of this MOU shall be effective only if it is in writing and signed by both parties hereto.
- 4.4. Headings: The headings used in this MOU are for convenience and ease of reference only and shall not be used to construe, interpret, expand or limit the terms of the MOU.
- 4.5. Effective Date and Term of this Agreement: This MOU will commence upon execution by the authorized representatives of Developer and LAUSD, and will remain in effect until the expiration of the applicable statute of limitations for enforcement of prevailing wage laws on the Monseñor Oscar Romero Charter School Project.

The parties hereto have caused this MOU to be executed by their duly authorized representative.

**YPI CHARTER SCHOOLS INC.,  
A California nonprofit corporation duly  
formed and existing under the laws of the  
State of California**

**Los Angeles Unified School District  
political subdivision of the  
State of California**

By: \_\_\_\_\_  
Authorized Representative

By: \_\_\_\_\_  
Authorized Representative

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **Attachment A**

This public works project is subject to the monitoring and investigative activities by the Labor Compliance Department of the Los Angeles Unified School District (LAUSD LCD). This Notice is intended to provide information to all workers employed in the execution of the contract for public work and to all contractors and other persons have access to the job site to enable the LAUSD LCD to ensure compliance with and enforcement of prevailing wage laws on public works projects.

The prevailing wage laws require that all workers be paid at least the minimum hourly wage as determined by the Director of Industrial Relations for the specific classification (or type of work) performed by workers on the project. These rates are listed on a separate job site posting of minimum prevailing rates required to be maintained at the project site by the contractor. Complaints concerning nonpayment of the required minimum wage rates to workers on this project may be filed with the LAUSD LCD at:

Los Angeles Unified School District  
Labor Compliance Department  
333 S. Beaudry Ave. 21<sup>st</sup> Floor  
Los Angeles, CA 90017  
Tel: (213) 241-8073  
Email: [Monica.Ho@lausd.net](mailto:Monica.Ho@lausd.net)

Complaints should be filed in writing immediately upon discovery of any violations of prevailing wage laws due to the short period of time following the completion of the project that the LAUSD LCD may take legal action against those responsible.

Complaints should contain details about the violations alleged (for example, wrong rate paid, not for all hours paid, overtime rate not paid for hours worked in excess of 8 per day or 40 per week, etc.) as well as the name of the employer, the public entity which awarded the public works contract, and the location and name of the project.

For general information concerning the prevailing wage laws and how to file a complaint concerning any violation of these prevailing wage laws, you may contact any Division of Labor Standards Enforcement (DLSE) office. Complaint forms are also available at the Department of Industrial Relations website found at [www.dir.ca.gov/dlse/PublicWorks.html](http://www.dir.ca.gov/dlse/PublicWorks.html)



Exhibit I

**CONTRACTOR CERTIFICATION REGARDING BACKGROUND CHECKS**

(Modernization Projects)

\_\_\_\_\_ certifies that it has performed one of the following:

[Name of contractor/consultant]

- Pursuant to Education Code Section 45125.1, Contractor has conducted criminal background checks, through the California Department of Justice, of all employees providing services to the **[Insert School or Community College]** District, pursuant to the contract/purchase order dated \_\_\_\_\_, and that none have been convicted of serious or violent felonies, as specified in Penal Code Sections 1192.7(c) and 667.5(c), respectively.

As further required by Education Code Section 45125.1, attached hereto as Attachment "A" is a list of the names of the employees of the undersigned who may come in contact with pupils.

OR

- Pursuant to Education Code Section 45125.2, Contractor will ensure the safety of pupils by one or more of the following methods:
  - 1. The installation of a physical barrier at the worksite to limit contact with pupils.
  - 2. Continual supervision and monitoring of all employees of the entity by an employee of the entity whom the Department of Justice has ascertained has not been convicted of a violent or serious felony.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Date \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
[Name of Contractor/Consultant]

\_\_\_\_\_  
By its: \_\_\_\_\_

Exhibit J

Environmental Import/Export Materials Testing

[to be attached]

Portable Removal Plan

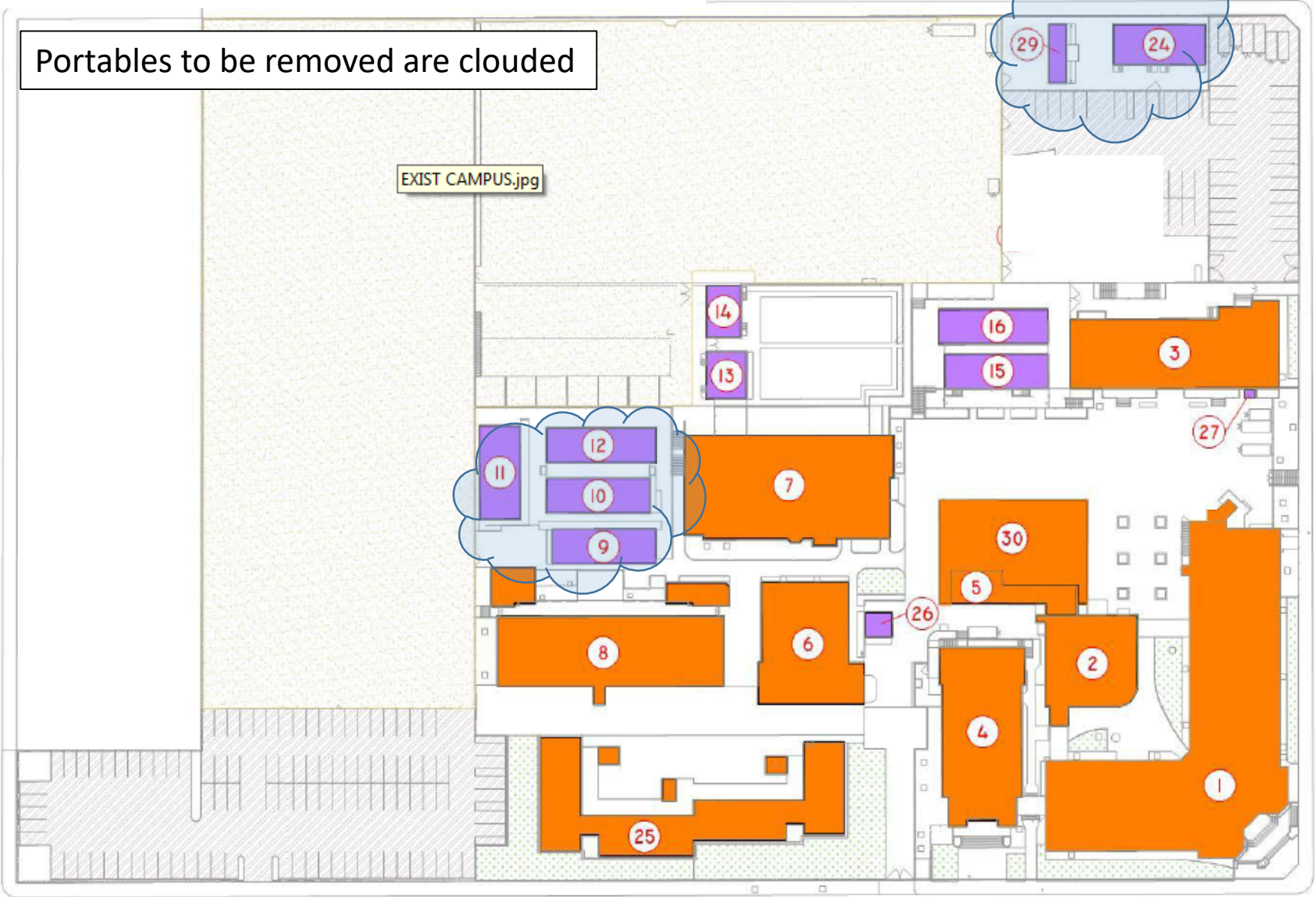
TH STREET

Portables to be removed are clouded

EXIST CAMPUS.jpg

SOUTH KENMORE AVENUE

SOUTH BERENDO STREET

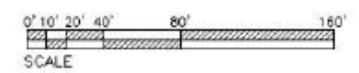


WEST 12TH STREET

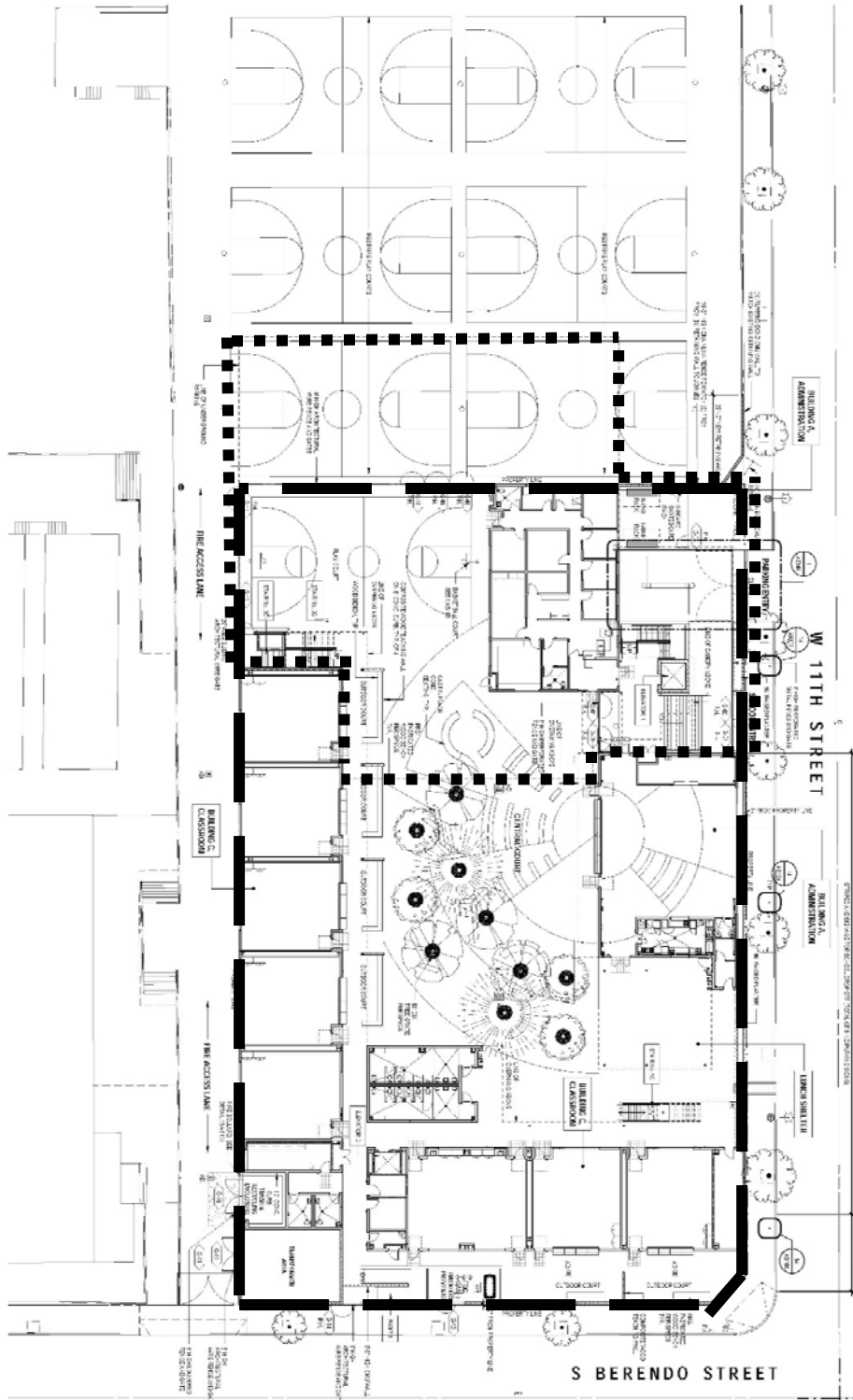
EXISTING CAMPUS PLAN

PERMANENT & PORTABLES BUILDINGS

BERENDO MS - LEGEND	
#	BUILDING NUMBER
	PERMANENT
	PORTABLE

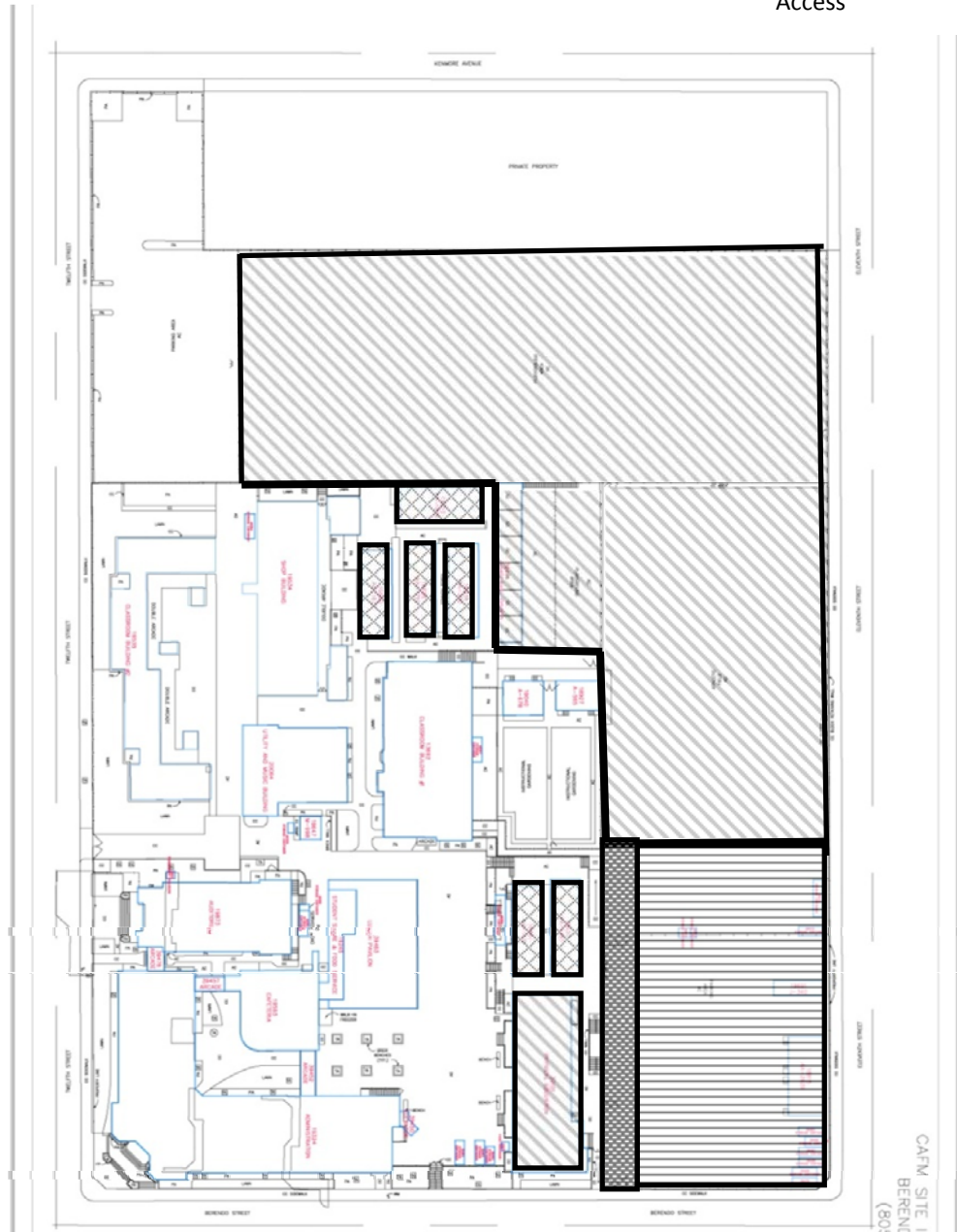
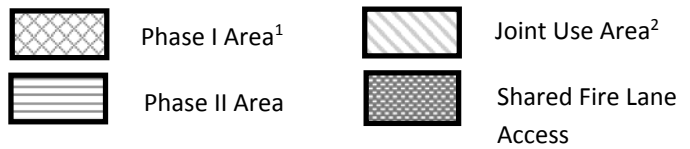


# Exhibit A-1 Premises Plan



- ■ ■ Subsurface Lease Area
- Ground Lease Area




# Exhibit A-1 Premises Plan (Continued)

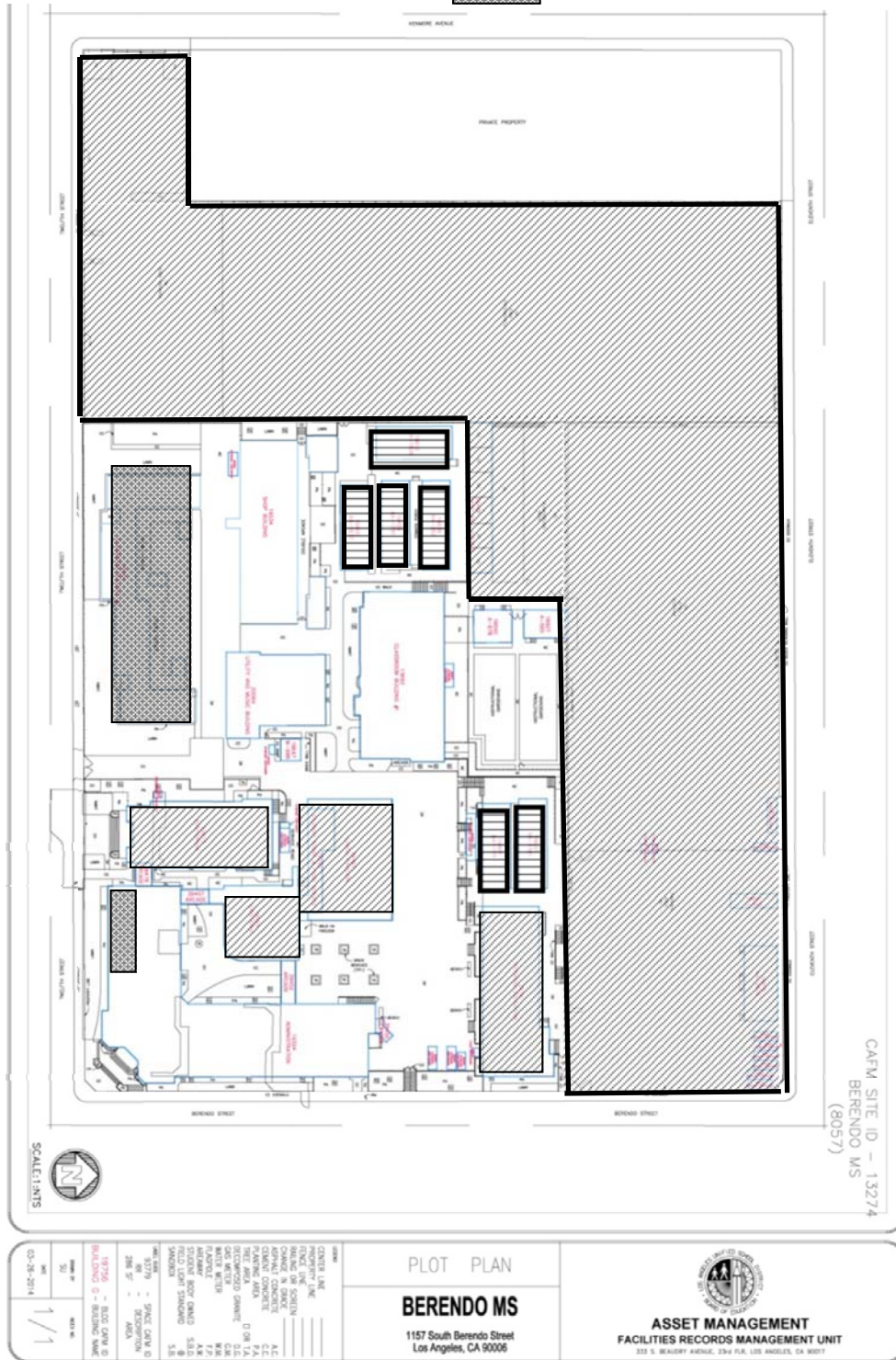


- (1) Buildings identified above for Phase I are further identified by their DSA Building #'s which are as follows: A38687, A15834, A16336, A16428, A10405, and A13356
- (2) Joint use space identified above consists of hard court soccer/track area, outdoor basket courts, handball courts, and outdoor volleyball courts.

# Exhibit A-2 Original Premises Plan




(as of 12/1/15)

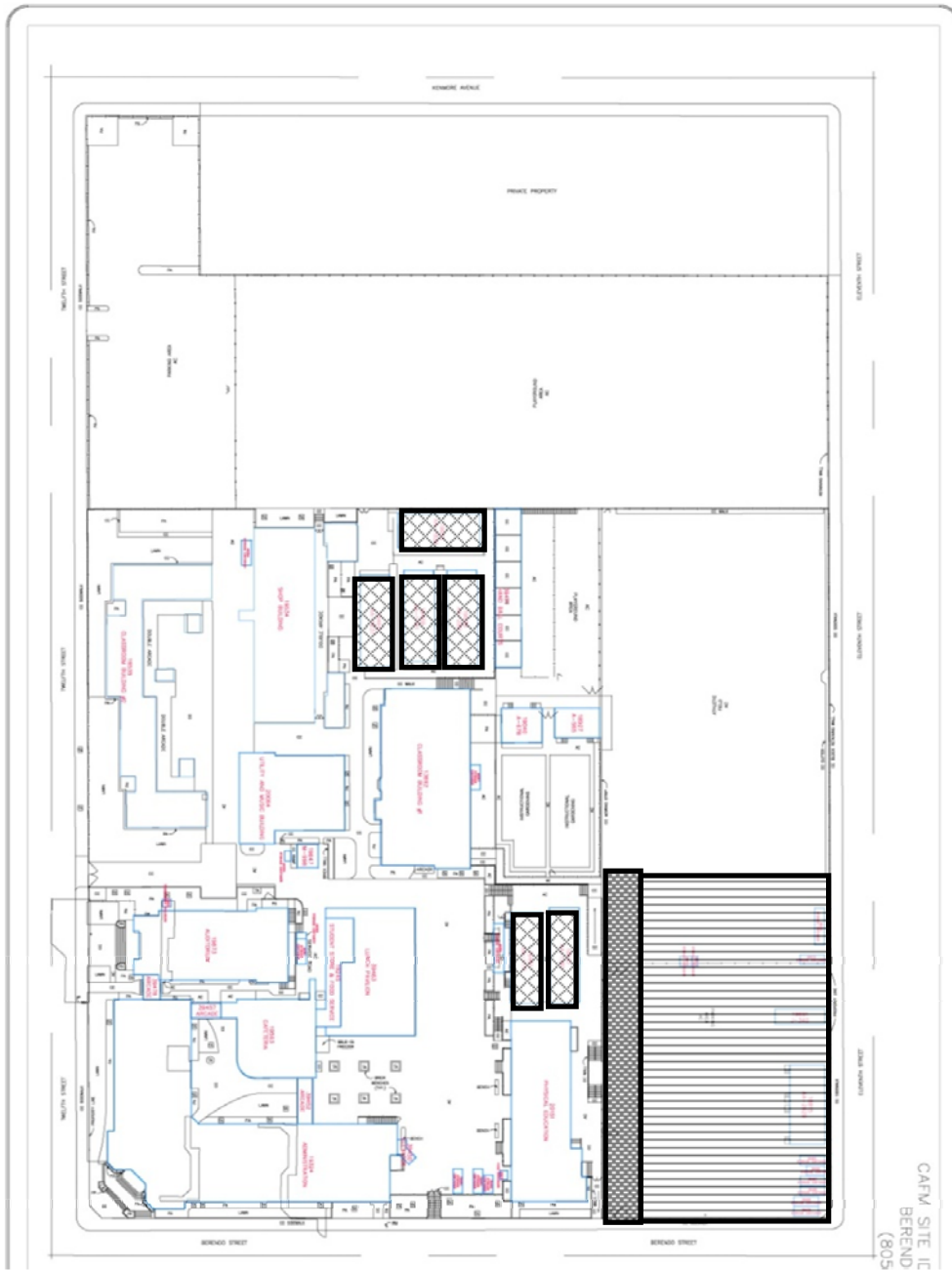
-  Original Prop 39 Premises (2011-12 to 2014-2015 school year)
-  Original Joint Use Area (2011-12 to present school year)
-  Current Prop 39 Premises (2014-15 school year)





# Exhibit A-2 Site Plan

	Phase I Area <sup>1</sup>		Shared Fire Lane Access
	Phase II Area		



<p>DATE: 03-24-2014</p> <p>SCALE: 1/4" = 1'-0"</p> <p>PROJECT: BERENDO MS</p> <p>DESIGNER: [Signature]</p>	<p>PLOT PLAN</p> <p><b>BERENDO MS</b></p> <p>1157 South Berendo Street Los Angeles, CA 90006</p>	 <p><b>ASSET MANAGEMENT</b> FACILITIES RECORDS MANAGEMENT UNIT</p> <p>333 S. BRADLEY AVENUE, 2ND FLOOR, LOS ANGELES, CA 90007</p>
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(1) Buildings identified above for Phase I are further identified by their DSA Building #'s which are as follows: A38687, A15834, A16336, A16428, A10405, and A13356



# Coversheet

## Executive Director's Report

**Section:** XI. Executive Director's Report

**Item:** A. Executive Director's Report

**Purpose:** FYI

**Submitted by:**

**Related Material:**

Californias-Support-for-K12-Education-Ranks-Low-by-Almost-Any-Measure\_FactSheet\_11.17.2015-3.pdf

sped\_finance\_web-3.pdf

LAUSD\_IFRP\_FINAL\_REPORT 110215-4.pdf



BY JONATHAN KAPLAN

## California's Support for K-12 Education Ranks Low by Almost Any Measure

Although they do not reflect how much it actually costs to provide California's students a high-quality education, rankings of state K-12 education spending are frequently used to assess California's investment in its schools.<sup>1</sup> According to the most recent available information, California's K-12 education spending lags the nation by almost any measure.

- **In 2014-15, California ranked 42nd among all states in spending per K-12 student after adjusting for differences in the cost of living in each state** (see table).<sup>2</sup> California schools spent \$10,139 per K-12 student, \$1,900 less than the \$12,040 per student spent by the nation as a whole. These figures, and this California ranking, reflect a new Budget Center analysis that adjusts the most recent K-12 spending figures for the variation in states' costs of living.<sup>3</sup>
- **California ranked 36th among all states in K-12 spending as a share of the state economy in 2014-15.** California's K-12 school spending in 2014-15 was 3.48% of state personal income – a measure that reflects the size of the state's economy – compared to 3.88% in the nation as a whole. Gauging school spending

### How Does California's Support for K-12 Education Compare?

	Rank	California	US	Source
<b>Spending Per Student</b>				
K-12 Spending Per Student Adjusted for Cost of Living (2014-15)*	42	\$10,139	\$12,040	National Education Association (NEA) and Texas A&M University
<b>Spending as a Share of the Economy</b>				
K-12 Spending as a Percentage of Personal Income (2014-15)*	36	3.48%	3.88%	NEA and US Bureau of Economic Analysis
<b>Staffing Ratios</b>				
Number of K-12 Students Per Teacher (2014-15)*	51	22.4	15.5	NEA
Number of K-12 Students Per Guidance Counselor (2011-12)	51	785	440	National Center for Education Statistics (NCES)
Number of K-12 Students Per Librarian (2011-12)	51	7,572	958	NCES
Number of K-12 Students Per Administrator (2011-12)	47	312	202	NCES

\* Data are estimated.

Note: All figures reflect Budget Center calculations. K-12 spending reflects "current expenditures," and cost-of-living adjustment calculations use a "comparable wage index" developed by the NCES and updated by Texas A&M University. Spending per student and staffing ratios are based on average daily attendance.

## CALIFORNIA BUDGET &amp; POLICY CENTER | FACT SHEET

as a share of the personal income received by the state's residents takes into account differences in states' wealth and thus in their capacity to support K-12 schools.

- **California ranked last in the nation in the number of K-12 students per teacher in 2014-15.** California's student-to-teacher ratio was greater than 22-to-1, more than 40% higher than the national ratio of 15.5 students per teacher.
- **California ranked last or close to last in the nation in the number of students per staff.** California's student-to-librarian ratio was more than 7,500-to-1 (ranking 51st), its student-to-guidance-counselor ratio was 785-to-1 (51st), and its student-to-administrator ratio was 312-to-1 (47th) in 2011-12, the most recent year for which data are available.

California's low level of K-12 education spending compared to other states is especially concerning in light of the particular needs of its students. Not only do California schools enroll the largest share of English learners in the US, but the percentage of California students who are from low-income families is greater than the share for the nation as a whole. Since research shows that educating English learners and students from low-income families requires even greater investment, California should be spending *more* per student than other states to allow all of its students to reach state and national academic standards.

Voter approval of Proposition 30 in 2012 helped increase state revenues, providing a significant boost to California's K-12 school spending.<sup>4</sup> Yet, a sizable gap between California and the US remains. Accounting for differences in states' costs of living, California would have needed to spend an additional \$13.0 billion in 2014-15 to equal spending per K-12 student in the nation as a whole, an increase of 18.8%. To reach total spending in the US as a share of personal income, California would have needed to spend an additional \$7.9 billion on K-12 education in 2014-15, an increase of 11.4%.

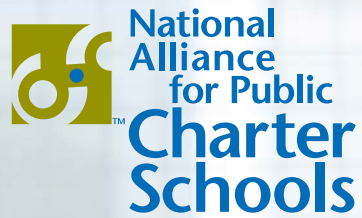
Substantially increasing California's K-12 education spending almost certainly depends on the state raising additional revenue. However, the revenues from Proposition 30 will decline after 2015-16, the last year its provisions will be fully in effect. This means that unless California voters extend Proposition 30's tax increases or approve an alternative tax measure, the state's schools will most likely receive relatively fewer dollars in the years ahead, raising the prospect that California's school spending would fall even further behind the nation.

<sup>1</sup> All state rankings and related comparisons in this fact sheet include the District of Columbia. For a discussion of why the amount that California is reported to spend per K-12 student, as well as its ranking relative to other states, varies depending on the source of this information and how it is interpreted, see Jonathan Kaplan, *Key Considerations When Comparing California K-12 School Spending to Other States* (California Budget & Policy Center: August 2015).

<sup>2</sup> Without adjusting for differences in states' costs of living, California ranked 29th in the nation.

<sup>3</sup> This adjustment uses a "comparable wage index" developed by Dr. Lori Taylor at Texas A&M University and William Fowler, Jr. at the National Center for Education Statistics, and subsequently updated by Dr. Taylor. This index is a commonly used method of adjusting K-12 spending for differences in states' costs of living. For example, see Education Week, *Quality Counts 2015: Preparing to Launch* (January 2015).

<sup>4</sup> Proposition 30 raised the state sales tax rate through 2016 and the personal income tax rates on high-income taxpayers through 2018.



# Getting Lost While Trying to Follow the Money: Special Education Finance in Charter Schools

Lauren Morando Rhim, Paul O'Neill, Amy Ruck, Kathryn Huber, and Sivan Tuchman

*November 2015*

## Acknowledgements

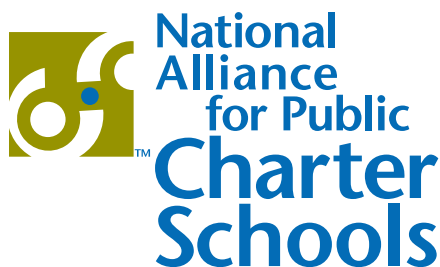
We would like to acknowledge the National Alliance for recognizing the critical role special education finance plays in the delivery of high quality programs for students with disabilities and having the vision to invest in an examination of how dollars follow students when they enroll in charter schools. The report required significant time on the part of our research team comprised of NCSECS personnel as well as external consultants. In addition, we would like to acknowledge Eileen Ahearn, Paul O'Neill, Robert Reed, Renita Thukral, Christy Wolfe, and Todd Ziebarth for their thoughtful reviews of the report at various stages of its development. We would also like to acknowledge the multiple state-level stakeholders in Arizona, Colorado, and New York who carved out time to help us understand how theory translates into practice in their particular state. While we appreciate their contribution to the work, we are responsible for any and all errors or omissions.



### About the NCSECS

The National Center for Special Education in Charter Schools (NCSECS) is an independent, non-profit organization formed in 2013 to fill a void that has existed since the inception of the charter school movement in the United States, namely a coordinated effort to address the challenges associated with providing special education and related services in charter schools.

NCSECS is committed to ensuring that students with disabilities have equal access to charter schools, and to fostering innovations that will benefit students with disabilities in both charter and traditional public schools.



### About the National Alliance

The National Alliance for Public Charter Schools is the leading national nonprofit organization committed to advancing the public charter school movement. Our mission is to lead public education to unprecedented levels of academic achievement by fostering a strong charter movement. For more information, please visit our website at [www.publiccharters.org](http://www.publiccharters.org).

#### The National Alliance for Public Charter Schools

1101 Fifteenth Street, NW, Suite 1010, Washington, DC 20005  
202.289.2700 ■ [www.publiccharters.org](http://www.publiccharters.org)

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## Executive Summary

Tracking the special education dollars that support services for students with disabilities attending public schools is complicated; attempting to track the funds to autonomous public charter schools is even more so. Public schools—traditional and charter alike—receive their operating revenues from three primary sources: local property taxes, state per-pupil allocations, and federal categorical-aid programs. The aggregate resources available to provide services to students with disabilities in public schools is a function of both 1) funding available to public schools generally, and 2) funding designated to support special education and related services in particular.

Understanding how dollars flow to charter schools requires consideration of multiple and overlapping federal, state, and local district formulas and policies, and understanding how state policymakers have retrofitted these policies and procedures to include autonomous charter schools.

Because there is no set federal mandate prescribing the distribution of special education funds to charter schools—aside from the requirement that federal funds be distributed equitably—an appreciation of federal, state, and local sources of funding is necessary to understand the particular way charter schools receive money earmarked for special education services. Of particular import, charter schools' legal status, as either autonomous districts—referred to as “local education agencies (LEAs)”—or as part of an existing LEA, shapes how they receive and allocate dollars. In general, all federal, state, and local dollars are distributed through districts as opposed to individual schools.

A factor that influences the amount of dollars available to support special education and related services in charter schools is the practical reality that, on average, charter schools operate with less funding than traditional public schools, and the greatest gap is associated with their limited access to funds raised by districts via local property taxes. Given that local funds generally represent approximately 46 percent of all dollars allocated to support special education, charter schools' limited access to local dollars is a notable challenge. The purpose of this paper is to provide the reader with a

clear and concise summary of special education funding by:

- describing how general and special education programs are funded in public schools;
- spotlighting how three states' special education funding mechanisms apply to charter schools and affect their operations;
- identifying key questions charter schools, authorizers, and support organizations should ask when trying to understand the nuances of special education funding in their state; and
- summarizing a state-by-state review of key laws and regulations that govern how special education is funded in the 43 states with charter schools.

In developing the brief, our goal was to present a clear and succinct point-in-time description of how special education is funded in charter schools to empower key stakeholders with critical information to help inform their operational decisions and, if appropriate, seek policy changes to better support charter schools to develop quality special education programs. The data were collected in early 2015 and reflect the status of federal and state policies at that time. Given the ever-evolving nature of federal and state legislation, readers should bear in mind that laws can change, and should therefore verify the status of relevant laws before taking action based on our analysis.

While we acknowledge the broader field is anxious to understand the “best” or “ideal” funding mechanism, it is premature to proclaim one model is superior to others absent more contextual data. However, our analysis confirms that a high level of technical expertise is needed by school-level teams and by their advocates to effectively monitor and ultimately ensure charter schools receive their proportionate allocation of federal, state, and local dollars to support special education programs. Moreover, the overall lack of adequate funding for special education for all public schools remains an ongoing challenge.

## Introduction

The means by which districts—also referred to as “local education agencies” (LEAs)—fund special education and related services for students with disabilities in public schools is complicated; providing the funds to autonomous public charter schools is even more complicated.<sup>1</sup> Understanding how dollars flow first requires consideration of multiple and overlapping federal, state, and local school district formulas and policies that shape how states fund public education—and, in particular, special education—in local schools, and then requires comprehension of how policymakers have retrofitted existing policies and procedures to include charter schools. This understanding also requires a basic knowledge of the history of special education funding and, specifically, of the occasionally competing efforts to provide adequate funds while simultaneously preventing funding from serving as an incentive to over-identify students for special education and related services. Together, considerations of charter school and special education funding formulas are necessary to understand the various means by which charter schools access funding to fulfill special education obligations.

Public schools—traditional and charter alike—receive their operating revenues from three primary sources: local property taxes, state per-pupil allocations, and federal -aid programs.<sup>2</sup> An appreciation of federal, state, and local sources of funding is necessary to understand the particular way charter schools receive money to provide special education services. In general, all federal, state, and local dollars are distributed through districts as opposed to through individual schools.

## Charter School Funding

State charter school laws define what entities may authorize charter schools and the parameters of their operations. Most charter school laws explicitly designate the legal identity of their states’ charter schools.<sup>3</sup> A charter school is either identified as the equivalent of a district—in federal parlance, an LEA—or considered to be a school within a district LEA. In some states, the charter school has some choice in the matter.

Legal identity impacts how charter schools receive federal, state, and local dollars allocated to support general as well as special education. Typically, if a charter school operates as its own LEA, it receives all federal and state, and sometimes local, dollars directly from the state. If a charter operates as part of a traditional LEA, these dollars generally flow through the district, and in many instances these schools are provided some centralized services (e.g., transportation, student evaluations, specialized therapies, professional development, and legal counsel) in lieu of 100 percent of the funding.

When examined on a per-pupil basis, a series of three studies conducted over the past 15 years have documented that, overall, charter schools receive less funding per pupil than do traditional public schools.<sup>4</sup> The most recent iteration of the financial analysis conducted by the University of Arkansas examined funding in 30 states with the most substantial charter school populations and in Washington, D.C.<sup>5</sup> The study documented that charter schools now receive on average 28 percent less per pupil than do district schools.<sup>6</sup> Financially, this disparity amounts to \$3,814 less per student; or, for a school of 400 students, \$1,525,600 per year.<sup>7</sup> The University of Arkansas study found that

<sup>1</sup> Per the Individuals with Disabilities Education Act, 20 U.S.C., § 1400 Section 300.34 (2004): Related services means transportation and such developmental, corrective, and other supportive services as are required to assist a child with a disability to benefit from special education, and includes speech-language pathology and audiology services, interpreting services, psychological services, physical and occupational therapy, recreation, including therapeutic recreation, early identification and assessment of disabilities in children, counseling services, including rehabilitation counseling, orientation and mobility services, and medical services for diagnostic or evaluation purposes. Related services also include school health services and school nurse services, social work services in schools, and parent counseling and training.

<sup>2</sup> U.S. Department of Education (2014). Revenues and expenditures for public elementary and secondary school districts: School year 2011-12 (Fiscal year 2012). Washington, DC: Institute of Education Sciences. Retrieved July 1, 2015 from: <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2014303>.

<sup>3</sup> Some state charter school laws are vague on the legal status of charter schools.

<sup>4</sup> Speakman, S., Finn, C. E., Hassel, B. C., (August, 2005). Charter School Funding: Inequity’s Next Frontier. Washington, DC: Thomas B. Fordham Institute. Retrieved July 1, 2015: <http://edexcellence.net/publications/charterschoolfunding.html>; Batdorf, M., Maloney, L., May, J., (May, 2010). Charter school funding: Inequity persists. Indianapolis, IN: Ball State University, Retrieved July 1, 2015 from: <https://cms.bsu.edu/-/media/WWW/Departmental-Content/Teachers/PDFs/charterschfunding051710.pdf>; Batdorff, M., Maloney, L., May, J., Speakman, S. T. Wolf, P. J. & Cheng, A. (2014, April). Charter School Funding: Inequity Expands. Fayetteville, Arkansas: University of Arkansas, Retrieved July 14, 2015 from: <http://www.uaedreform.org/wp-content/uploads/charter-funding-inequity-expands.pdf>.

<sup>5</sup> Batdorff, et al., (April 2014). Charter School Funding: Inequity Expands, School Choice Demonstration Project Fayetteville, University of Arkansas

<sup>6</sup> Ibid.

the disparity in funding results predominantly from differences in access to local funds (i.e., funds generally collected through property taxes and distributed by local school boards).

The University of Arkansas study has been criticized for not accounting for the value of services—including services to support students with disabilities and facilities—that LEAs provide charter schools that operate as part of a traditional LEA.<sup>8</sup> Whether the funding discrepancy is 28 percent, or less if the services that LEAs provide directly to charter schools are quantified, a funding disparity exists and continues to produce practical hurdles for charter schools seeking to allocate adequate resources to support their programs, including programs to serve students with disabilities.

## Special Education Funding

Special education, as a subset of a district's or school's overall budget, is funded from federal, state, and local sources of revenue. Whereas federal spending on average makes up only 9 percent of total special education funding, state and local spending represent 45 percent and 46 percent, respectively.<sup>9</sup> Across the nation, funding distribution varies depending on an array of state-specific formulas and considerations. The following sections provide an overview of how federal, state, and local dollars are allocated to support special education and related services.

### Federal Funding for Special Education

The federal government distributes dollars to states to support students with disabilities through two primary

channels: the Individuals with Disabilities Education Act (IDEA) and Medicaid.

#### IDEA

The federal government distributes funds to each state to support special education and related services for students with disabilities.<sup>10</sup> Details regarding an individual student's diagnosis, performance level, and placement are outlined in an individualized education program (IEP) that is developed by an IEP team that, consistent with federal law, must comprise teachers, specialists, and parents; older students may also participate in IEP meetings.

Fiscal allocations are calculated pursuant to a statutory formula for disbursement. In 1977, the Education for All Handicapped Children Act (EHA), the earliest federal legislation devoted to funding special education and related services,<sup>11</sup> established a federal funding level that provided equal funding per pupil with a disability.<sup>12</sup> Under the original statute, the federal government authorized funds to each state based on the number of children with disabilities in that state, times 40 percent of the average per-pupil expenditure nationwide. The federal funding through IDEA Part B in 2015, however, was \$1,742,<sup>13</sup> just over 14 percent of the total cost to fund the average student in special education. If the full amount authorized had been appropriated by Congress, it would have provided districts with significant supplemental revenue to defray the cost of providing services and supports to students with disabilities.<sup>14</sup>

<sup>7</sup> Ibid

<sup>8</sup> Baker, B. (May 2014), Review of Charter Funding: Inequity Expands, Boulder, CO: National Education Policy Center. Retrieved July 1, 2015 from: <http://nepc.colorado.edu/thinktank/review-charter-funding-inequity>

<sup>9</sup> Parrish, T., Harr, J., Anthony, J., Merickel, A., & Esra, P. (May 2003). State Special Education Finance Systems 1999-2000, Part I.. Center for Special Education Finance, American Institutes of Research. Palo Alto, CA: Retrieved July 1, 2015 from: <http://csef.air.org/publications/csef/state/statpart1.pdf>; Parrish, T., Harr, J., Wolman, J., Anthony, J., Merickel, A., & Esra, P. (March 2004). State Special Education Finance Systems 1999-2000. Part II. Center for Special Education Finance, American Institutes of Research. Palo Alto, CA: Retrieved July 1, 2015 from: <http://csef.air.org/publications/csef/state/statpart2.pdf>

<sup>10</sup> IDEA defines a student with a disability as a student who has been diagnosed as having one of 13 categories of disabilities (e.g., specific learning disability, emotional disability, or autism).

<sup>11</sup> The phrase "special education and related services" encompasses the services and supports provided to students to enable them to access the general education curriculum. "Special education" means specially designed instruction to meet the unique needs of a child with a disability in the classroom or other setting. Related services include speech therapy, occupational therapy, physical therapy, and rehabilitation counseling. Transportation to school may also be a related service.

<sup>12</sup> The adopted formula in the EHA of 1975 was "allotment of state funds" = "number of children with disabilities" x "40% of the national average per-pupil expenditure." See McCann (2014)

<sup>13</sup> U.S. Department of Education, Fiscal Year 2016 Budget Summary and Background Information (Washington, DC: U.S. Department of Education, 2015), 31, Retrieved July 1 from: <http://www2.ed.gov/about/overview/budget/budget16/summary/16summary.pdf>.

<sup>14</sup> Ibid.



### *Evolution of Federal IDEA*

The original plan for federal funding under EHA, however, failed for two reasons: 1) the plan led to over-identification of students with disabilities,<sup>15</sup> as states sought to secure more funds; and 2) the law was never fully funded by subsequent congressional budgets, leaving states and districts to cover a larger proportion of costs.<sup>16</sup> In subsequent reauthorizations, Congress changed the name of the statute to IDEA (1990) and revised its original special education funding formula (1997). Most recently amended in 2004, IDEA is currently overdue for reauthorization.

### *IDEA Funding Streams*

IDEA contains multiple parts that operationalize the goals of the statute. Of most import to public schools, Part B provides financial assistance to support the education of all students with disabilities between the ages of 3 and 21. Part C targets early intervention services for infants and toddlers.

Under today's funding, federal disbursement of Part B to states does not offer an equal expenditure per pupil, but rather begins with a "base amount" determined by what states received in 1999 (or, subsequently, the base amount of what states received in the year prior). Following disbursement of the base amount, any additional funds are distributed to states based on 1) the number of students ages 3-21 in the state, and 2) the total number of students living in poverty.<sup>17</sup> The updated formula aims to provide guaranteed funding to all states, with added emphasis on the states with the most students with disabilities and the most students growing up in poverty. This formula, however, has been criticized for its failure to provide equal funding to all students with disabilities.<sup>18</sup>

### *State-Level Distribution of IDEA Funds*

Once distributed by the federal government to states, IDEA Part B dollars are further distributed by state education agencies (SEAs) to districts through subgrants. SEAs are allowed to retain a portion of the federal funds for statewide activities, generally in the range of 5 percent, and are expected to distribute the rest of the funds to districts based on established formulas. Similar to how the federal government distributes IDEA to states, states distribute IDEA dollars based on historic allocation patterns, population, and poverty level. IDEA also allows states to allocate set-aside funds to create a statewide "risk pool" or "high-cost fund" that can be used to assist LEAs in meeting the needs of specific students with significant support needs.<sup>19</sup> If districts do not have any students who qualify to receive special education or related services, states have discretion to distribute the funds to other districts based on need.<sup>20</sup> This discretion can enable states to target funds but can also cause challenges for new charter schools that do not have any enrollment history.

### *IDEA Maintenance of Effort*

Under IDEA, states are not allowed to reduce the amount of state financial support for special education and related services for children with disabilities below the amount of that support for the preceding fiscal year.<sup>21</sup> Referred to as "maintenance of effort (MOE)," this clause requires states, at a minimum, to maintain their state financial support to local districts for special education from one year to the next. If an SEA fails to maintain the required level of financial support for special education and related services, the Secretary of Education reduces the allocation of funds under Section 611 (the Part B funding formula) of IDEA for subsequent fiscal years by the same amount the state fails to meet the requirement. Furthermore, if an LEA fails to maintain financial support, the SEA must return to the U.S. Department of

<sup>15</sup> McCann, C. (June 2014). Federal Funding for Students with Disabilities: The evolution of federal special education finance in the United States. Washington, DC: New America Education, Retrieved July 1, 2015 from: [https://www.newamerica.org/downloads/IDEA\\_6\\_25\\_2014\\_FINAL.pdf](https://www.newamerica.org/downloads/IDEA_6_25_2014_FINAL.pdf)

<sup>16</sup> Ibid.

<sup>17</sup> The adopted formula in the Individuals with Disabilities Act of 2004 provides that: allotment of state funds = prior year amount + population of students with disabilities/share of children with disabilities living in poverty. See McCann, C., (June 2014). Federal Funding for Students with Disabilities: The evolution of federal special education finance in the United States. Washington, DC: New America Education, Retrieved July 1, 2015 from: [https://www.newamerica.org/downloads/IDEA\\_6\\_25\\_2014\\_FINAL.pdf](https://www.newamerica.org/downloads/IDEA_6_25_2014_FINAL.pdf)

<sup>18</sup> McCann, Federal Funding for Students with Disabilities.

<sup>19</sup> U.S. Department of Education, Laws & Guidance (No date). Special Education Rehabilitation Services," Washington, DC: Author. Retrieved July 15, 2015 from: <http://www2.ed.gov/programs/osepgts/index.html>.

<sup>20</sup> McCann, Federal Funding for Students with Disabilities.

<sup>21</sup> Individual with Disabilities Education Act 34 C.F.R. § 300.163(a) 2004.

Education an amount equal to the amount by which the LEA failed to “maintain effort.”<sup>22</sup> Assessing effort can be calculated on an aggregate or per-pupil basis and there are allowable reductions (e.g., the number of enrolled students with disabilities decreases, or a student who has significant support needs leaves or ages out of the district).

Policymakers and practitioners alike hope the long overdue reauthorization of IDEA will provide an opportunity to update and improve the complex federal funding mechanism and create opportunities for more funding overall to support special education.<sup>23</sup>

### **Medicaid**

Medicaid is a federally funded health care program for individuals with low incomes and limited resources. Beginning in 1988, the Medicare Catastrophic Coverage Act created the Medicaid School Program to reimburse schools for providing specific services to students who qualify for Medicaid. For Medicaid to cover school-based services, the services must be primarily medical and not educational in nature, and a qualified Medicaid provider must provide them to children in families that meet Medicaid income eligibility requirements.

To qualify for Medicaid reimbursement, students must have an IEP in accordance with IDEA. To have services reimbursed under the federal Medicaid program, the service must meet the definition of a coverable service under Section 1905(a) of the Social Security Act. Examples of services for which districts can seek Medicaid reimbursement are diagnostics services; occupational, physical, and speech therapy; and mental health counseling. While the federal government outlines regulations related to reimbursements, states have some discretion to narrow these parameters.

Districts, including charter schools operating as districts, can apply to be validated as a provider eligible to provide services and seek reimbursement from Medicaid. For large, populous states, Medicaid reimbursements can generate hundreds of millions of additional federal dollars for certain special education and related services. However, the Medicaid reimbursement process

requirements are significant to and are particularly burdensome for small districts and charter school LEAs.

## **State Funding for Special Education**

States use a variety of approaches to distribute state-generated special education funds to local school districts and educational providers.<sup>24</sup> Charter schools must look to their state special education formula to understand how funds are allocated in their state. See the Appendix C for the most applicable statutes and regulations in each state. States also frequently reserve part of their federal IDEA Part B and state funds for extraordinary special education expenses. The following sections describe these two sources of funding.

### **State Special Education Funding Formulas**

Generally, state-level special education funding schemes fall into one of seven categories that consider such variables as average number of students with disabilities, the severity of individual students’ disabilities, and average cost of services provided. These variables are frequently used by states to define levels or tiers that are subsequently used to inform funding formulas (e.g., a student identified as requiring Level I services is allocated fewer dollars than a student identified as Level II).

The types of state funding formulas are described in Table I.

When examining the patchwork of state special education funding formulas, it is important to keep in mind that they reflect an evolution of efforts to simultaneously provide support for special education and related services and avoid creating incentives to over-identify students or serve students in more restrictive settings than might otherwise be warranted.

<sup>22</sup> For more information regarding Maintenance of Effort, see <http://www2.ed.gov/policy/speced/guid/idea/monitor/sms-partb-waivers.html>.

<sup>23</sup> McCann, C., (July 29, 2014). IDEA’s funding formula really needs an update. SpecialEDpost. Retrieved July 1, 2015 from: <http://specialpost.org/2014/07/29/ideas-funding-formula-really-needs-an-update/>

<sup>24</sup> Ahearn, E., (April, 2010). Financing Special Education: State Funding Formulas, Alexandria, VA: National Association of State Directors of Special Education. Retrieved July 1, 2015 from: [http://nasdse.org/DesktopModules/DNNspot-Store/ProductFiles/82\\_dce66976-08dd-4cdd-abbd-1397e973c81a.pdf](http://nasdse.org/DesktopModules/DNNspot-Store/ProductFiles/82_dce66976-08dd-4cdd-abbd-1397e973c81a.pdf)

**Table I: State Special Education Funding Formulas<sup>25</sup>**

<b>Formula Type (# of states)</b>	<b>Description</b>
<b>Weighted funding (19)</b>	Funding allocated per student with a disability and amount (i.e., weight) increases based on severity of disability, type of placement, or student need. Weighted formulas may be based on a single factor (e.g., disability diagnosis) or multiple factors (e.g., diagnosis and services provided). Under this formula, students with disabilities are generally identified by levels—corresponding with the significance of their disability or the services they require—and funding increases based on level.
<b>Census-based distribution (7)</b>	A fixed average per-pupil dollar amount of funding allocated per state average rates of disabilities, regardless of specific rate of disabilities in each district or school. Under this formula, the state provides every district with a set dollar amount (e.g., \$8,000) that represents the average cost of educating a student with a disability across the state, which is then multiplied by the average percentage of students with disabilities across the state (e.g., 13%).
<b>Resource-based funding (6)</b>	Funding based on payment for a certain number of special education resources (e.g., teachers or classroom units), typically determined by state-prescribed staff/student ratios. Under this formula, the state might provide the resources required to hire one full-time equivalent special education teacher for every 10 students with a moderate disability, one full-time equivalent specialist for a single child with a significant disability, or one-quarter of a speech therapist for 10 students identified as having a speech or language disability.
<b>Percentage reimbursement (5)</b>	Funding based on a percentage of allowable actual expenditures. Under this formula, the state might reimburse 20% of all special education expenditures above average per pupil up to \$20,000 and then 50% of all dollars allocated to educate an individual student above \$20,000 spent to provide more specialized services.
<b>Block grant (1)</b>	Funding based on base-year or prior-year allocations, revenues, and/or enrollment. Under this formula, states allocate dollars based largely on prior expenditures and give districts discretion to distribute according to local funding formulas.
<b>Combination of approaches (5)</b>	Funding based on a combination of census and weighted formulas. Under this formula, states allocate dollars based on consideration of both overall averages of enrollment and cost and degree of support required.
<b>No separate special education funding (7)</b>	Funding to support special education is rolled into overall state per-pupil allocation funding levels and is distributed by localities as they choose.

Charter schools seeking to access the full breadth of eligible state special education funds must look not only to the state funding formula for allocating funds per district, but also to the qualifying services for which the state will allow expenditure of special education funds. Combined, these factors determine how state funding is disseminated, and how funding is received by each individual school. In addition, because charter schools must abide by all federal and state laws and regulations that affect them, it is essential for charter schools to understand numerous factors, including—most importantly—their legal identity and their degree of linkage to a traditional LEA (see discussion below).

**State Extraordinary Aid Formulas**

In addition to the specific formula states use to provide funding to districts for provision of special education and related services (e.g., weighted or census-based),

many states have formulas or “pools” to provide districts additional funds should they enroll a student with “exceptional” or “extraordinary” needs (e.g., a student requires a private residential therapeutic setting that costs three times the average per-pupil allocation, and has a fiscal impact that limits and/or inhibits a district’s ability to provide special education and related services). One approach to exceptional aid encouraged in the 2007 reauthorization of IDEA is so-called risk pools, wherein states may appropriate up to 10 percent of their federal IDEA Part B funds allocated for state-level activities to create a high-cost fund to which local districts can apply for reimbursements for extraordinary expenses. In general, districts must apply to receive reimbursement from the fund. In some states (e.g., Massachusetts), local districts are required to contribute to a statewide risk pool that operates separate from the one supported with federal dollars.<sup>26</sup>

<sup>25</sup> Ahearn, Financing Special Education.

<sup>26</sup> Richmond, M., & Fairchild, D., (November 2013). Financing the Education of High Needs Students (Washington, DC: Thomas B. Fordham Institute, 2013). Retrieved July 1, 2015 from: <http://edexcellence.net/publications/financing-the-education-of-high-need-students>

In general, statewide risk pools are underfunded and applications for reimbursements exceed dollars appropriated, which leads to schools being reimbursed a portion of their request. In other words, even if a state maintains a high-cost fund, there is generally no guarantee districts will be able to secure 100 percent reimbursement for extraordinary costs.<sup>27</sup> Furthermore, based on anecdotes from charter operators, it is unclear whether they are being extended access to the funds in the same manner as traditional public schools.

## Local Funding for Special Education

According to the most recent national data available, 46 percent of all dollars devoted to special education programs come from local sources.<sup>28</sup> That is, school districts typically allocate dollars from their general revenues (e.g., raised through local property taxes) to support programs for students with disabilities.

These dollars are not specifically collected for the purposes of providing special education and related services, and districts do not have the same reporting requirements associated with these funds as they do for federal and state dollars directed to support special education. Rather, districts determine how much to allocate based on the specific needs of the enrolled students in a given year.

Individual districts do not typically have a specific formula analogous to the federal IDEA or state statute. If the budget necessary to provide special education exceeds existing local, state, or federal revenues, or if unanticipated costs arise midyear, districts typically draw from local reserve funds, raise taxes, or reallocate funds from within their budget in order to pay for the costs.

Unlike traditional districts, charter schools generally do not have taxing authority and cannot increase their public funding based on need.

## Charter School Legal Identity

The concept of an LEA is established in federal law. Under IDEA and other federal statutes, an LEA is the entity that has authority and responsibility to operate public schools. State-level authority is in the hands of the SEA, which typically is the state department of education. Whether a particular charter school is regarded as an LEA depends on state charter school law. However, LEA status is not always clearly defined, and is often complicated where state law delineates one status for certain purposes (e.g., distribution of state funding or Title I) and a different status for purposes of special education.

Depending on the state, charter schools may be classified as either a separate LEA or a part of another LEA. In addition, some states allow either the school or the school's authorizer to determine a charter school's legal status. Understanding the legal status of a school, and the state context, is essential in determining both the financial and programmatic responsibilities a school faces for all federal requirements related to educating a student with a disability. See Appendix for summary of legal status by state.

### Legally Autonomous LEA

Legal recognition as an LEA has notable programmatic and financial implications.<sup>29</sup> Charter schools that operate as independent LEAs have greater freedom—and responsibility—in designing curricula, hiring teachers and staff, and implementing programs. Charters that are designated to operate as LEAs generally receive state and federal moneys directly and have control over how they spend those funds to meet the needs of their students and programs. Of greatest note to the discussion regarding special education finance, charter schools that operate as independent LEAs are wholly responsible for providing students with disabilities a full array of services, including a full continuum of alternative placements, analogous to a multischool district.<sup>30</sup>

<sup>27</sup> Richmond and Fairchild . Financing the Education of High Needs Students.

<sup>28</sup> Parish et al. State Special Education Finance Systems.

<sup>29</sup> Green P. D., & Mead, P.F., (2004). Charter Schools and the Law: Chartering New Legal Relationships (Norwood, MA: Christopher-Gordon Publishers; Heubert, J. P., (2006). "Schools without Rules? Charter Schools, Federal Disability Law, and the Paradoxes of Deregulation," Harvard Civil Rights-Civil Liberties Law Review 32, 301-353; Rhim, L.M., Ahearn, E., and Lange, C., (2007). Toward a More Sophisticated Analysis of the Charter School Sector: Considering Legal Identity as a Critical Variable of Interest," Journal of School Choice 1(3), 115-122

<sup>30</sup> Individuals with Disabilities Education Act, 20 U.S.C., § 1400 Section § 300.115 defines a continuum of alternative placements as: "(a) Each public agency must ensure that a continuum of alternative placements is available to meet the needs of children with disabilities for special education and related services. (b) The continuum required in paragraph (a) of this section must— (1) Include the alternative placements listed in the definition of special education under §300.38 (instruction in regular classes, special classes, special schools, home instruction, and instruction in hospitals and institutions); and (2) Make provision for supplementary services (such as resource room or itinerant instruction) to be provided in conjunction with regular class placement."

### Legally Part of an LEA

Charter schools that operate as part of an LEA generally have access to a variety of services (e.g., human resources, transportation, and legal counsel) through the district central office, analogous to traditional public schools. Of note, as part of a larger, multischool LEA, they are also generally able to take advantage of the economies of scale realized when purchasing a variety of goods and services. However, they are denied some of the programmatic and financial freedoms typically deemed crucial to the development of new and innovative schools. Charter schools that operate as part of an LEA share responsibility for provision of special education and related services with the broader district. That is, they are required to provide a diverse array of services, but responsibility for providing the full continuum lies with the larger district. Furthermore, in practice, being part of an LEA can involve being required to adopt the district’s approach to identifying and educating students with disabilities regardless of the extent to which it aligns with the charter school’s mission.

### Linkage to an LEA for the Purpose of Accessing Funding

Separate from but related to legal status—and central to our analysis of special education funding—is the question of how charter schools receive their federal, state, and local funding. The funding path is connected to a school’s LEA status and the extent to which, by statute or choice, individual charter schools link to other LEAs.<sup>31</sup> There are three types of linkage:

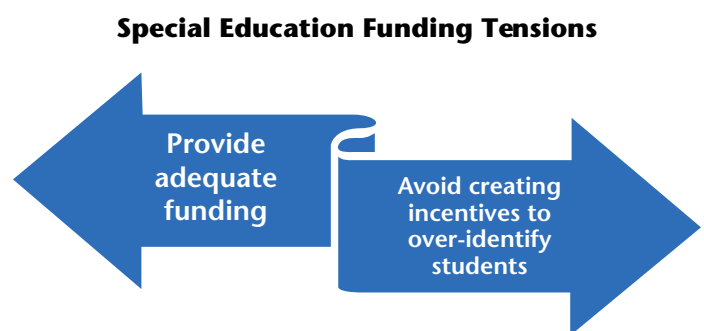
- **No Link**—A charter school that is its own LEA has full responsibility for special education, receives federal and state funds directly from the state, and usually has no link to another LEA (although a charter could seek to negotiate a working relationship with an LEA voluntarily, similar to any other vendor).
- **Total Link**—If a charter is considered a part of an LEA, the LEA is responsible for the students with disabilities enrolled in the charter school, and the LEA is the recipient of all federal, state, and local dollars, which it typically allocates to charter schools directly or in the form of services, largely at its discretion.

- **Partial Link**—There is a required or negotiated connection (e.g., the charter school has responsibility for services, but the child’s home LEA carries out evaluation team tasks), or the charter school is responsible for only those services that can be delivered in the school and the LEA resumes responsibility when the child needs more specialized day or residential placement. In partial-link states, the charter law typically dictates how federal, state, and local dollars are allocated relative to services provided. In many instances, the traditional LEA (i.e., not the charter school) has greater authority and, in turn, discretion to determine how the shared responsibilities are operationalized.

The construct of linkage is essential for charter schools to understand because it defines both the way the funding is distributed and the way responsibilities for special education are delegated. To illustrate the impact of legal status and linkage, we spotlight three states following the overview of key federal and state policy considerations: Arizona, Colorado, and New York.

## Evolving Federal and State Policy Considerations

Current federal and state special education finance formulas reflect the latest iteration of an ongoing debate regarding how best to fund special education, a debate shaped by inherent tensions associated with providing adequate funds while avoiding creating incentives to over-identify students or serve students in more segregated settings.<sup>32</sup>



<sup>31</sup> Ahearn, E. A., Rhim, L. M., Lange, C., & McLaughlin, M. (2005). Project Intersect research report #1: State legislative review. College Park, MD: Project Intersect.

<sup>32</sup> These policy factors are discussed at length in Thomas Parrish. (2001). Special Education in an Era of School Reform. Federal Resource Center for Special Education, Lexington, KY.; American Institutes for Research in the Behavioral Sciences, Palo Alto, CA. Center for Special Education Finance. Retrieved July 1, 2015 from: <http://files.eric.ed.gov/fulltext/ED412699.pdf>; McCann, Federal Funding for Students with Disabilities.

## Federal Funding Priorities

The current federal funding formula allocates more funding to states with higher percentages of students from families living in poverty.<sup>33</sup> This prioritization of poverty in allocating funding for special education came about as a result of data showing that students growing up in poverty in urban environments comprise a disproportionately large percentage of students who qualify to receive special education and related services.<sup>34</sup> However, despite the intent to distribute additional funding to high-poverty states and LEAs, federal funding that guarantees minimum funds to small states (which generally corresponds with states with fewer students eligible for special education) can result in disproportionately higher funding to states with fewer students. Given the limited pool of federal dollars for special education, this can have the effect of limiting funding for states and districts with the greatest need in terms of actual number of students.<sup>35</sup>

## State Funding Priorities

States have established their funding formulas for special education based on prioritizing one or more of the following factors:

1. creating flexibility in placements and use of funds for delivery of services,
2. concerns about rising special education costs,
3. concerns over the efficiency of special education services, and
4. a high cost of special education assessments and program administration.<sup>36</sup>

Although each state may not address each priority, and may prioritize each factor differently, the state formulas reflect different approaches to effectively and efficiently distributing limited resources. In aggregate, the various funding formulas are evidence of the complex factors involved with attempting to create a special education funding mechanism that simultaneously provides funding where needed and avoids creating incentives to over-identify students.

## State Mini Case Studies: Special Education Finance in Charter Schools

To capture and illustrate the critical issues related to special education funding in charter schools, we developed mini case studies of three states that represent a cross section of the models and iterations that permeate the national landscape. By telling the stories of these three states, stakeholders—from applicant groups to funders—will be better equipped to navigate the complicated landscape. These three states not only are geographically diverse, but also provide a lens into the various authorizing structures, portfolio sizes, legal statuses, and delivery model approaches that should resonate with many other states. Arizona, Colorado, and New York each provide an example of not only a variety of funding mechanisms to deliver special education services, but also disparate delivery approaches and models.

## Data Collection

To present accurate information and an on-the-ground perspective, we culled data from websites, published documents, and interviews with key stakeholders. The websites and documents used are cited throughout the body of the text and ranged from the National Alliance for Public Charter Schools to the National Association of Charter School Authorizers to state education websites. Each state's law was reviewed and incorporated into the synthesis.

Due to the diverse natures of each state, it was important for us to find the right individuals to provide insight regarding the law, landscape, and current realities. In Arizona, individuals from the Arizona State Board for Charter Schools, as well as from the Arizona Department of Education and the Arizona Charter School Association, provided information and background. In Colorado, individuals from the Colorado League of Charter Schools, the Charter School Institute, and the state department of education, as well as an attorney who specializes in charter school law, helped provide us with context to the statewide landscape. In New York, staff from the New

<sup>33</sup> McCann, Federal Funding for Students with Disabilities

<sup>34</sup> Ibid

<sup>35</sup> Ibid.

<sup>36</sup> Parrish, Special Education in an Era of School Reform, 11-17.

York City Charter School Center, State University of New York Charter School Institute, and state department of education provided us with insight into the New York charter school special education funding environment.

While we owe special thanks to each and every one of them, any errors or omissions are our responsibility.

Arizona						
Year Chartering Started	Authorizer	# of Schools	LEA Status	Funding Structure	Average Charter School Per-Pupil Allocation	State Special Education Funding Formula
1994 (*only state in the country that allows for-profit entities to hold a charter; about 5% of charters)	Arizona State Board for Charter Schools, state board of education, and Arizona State University	605	Public education agency); all charter schools, including for-profit, are considered their own LEAs <sup>37</sup>	No link Partial (district sponsored) <sup>38</sup>	\$7,684 (2011-2012)	Multiple student weights

## State Charter Context

As of the 2013-2014 school year, Arizona had 605<sup>39</sup> charter schools or campuses, which served 184,400 students across the state. Charter schools account for approximately 26 percent of all public schools in the state, and 17 percent of the students in Arizona attend charter schools.<sup>40</sup> Arizona law allows charter developers to apply to a variety of authorizers: Arizona State Board for Charter Schools, the state board of education (not currently authorizing schools), or a college or university. The Arizona State Board for Charter Schools, an independent charter board, authorizes the vast majority (i.e., 99.9 percent) of schools in the state. Arizona State University and multiple districts across the state have notably smaller charter portfolios (< 11 schools).

## Legal Status

The Arizona state charter school law considers each charter holder its own public education agency (PEA),<sup>41</sup> which is the same as an LEA. Fewer than a dozen charter schools are authorized by school districts as part of the district LEA, and these will be phased out in Fiscal year 2017. These few schools are considered a district campus. As a district campus, these charters are included

in the district special education consortium for purposes of receiving state and federal special education dollars.

There are caveats within the application related to LEA status and special education funding based on the authorizer (i.e., “sponsor”). If an LEA authorizes a school, the charter is partially linked to the district. Arizona charter schools that operate as part of the district LEA invoice the district for special education and related services provided. In this arrangement, the districts act as a bank account for the individual charter schools. Their portion of the federal and state funds is held at the district level but directly correlates to the student population and level of services needed.

Charter schools authorized by the Arizona State Board for Charter Schools, or ones sponsored by a university, operate as autonomous LEAs. They receive their funding via a no-link approach, which means the state disseminates the funding directly to the charter schools.

The Arizona charter school law allows for both for-profit and nonprofit charter holders. In 2013-2014, approximately 30 of more than 605 schools were operated directly by a for-profit entity. All operators, regardless of profit status, are required to follow all

<sup>37</sup> State of Arizona, Office of the Attorney General (July 20, 2004). Opinion Re: Charter Schools Operated by For-profit Organizations. Retrieved June 22 from: <https://www.attorneygeneral.state.az.us/sites/default/files/I04-006.pdf>

<sup>38</sup> Ariz. Rev. Stat. § 15-185.

<sup>39</sup> National Alliance for Public Charter Schools. (2014) Estimated number of charter schools and students 2013-2014. Washington, DC: Author. <http://www.publiccharters.org/wp-content/uploads/2014/02/New-and-Closed-Report-February-20141.pdf>

<sup>40</sup> Personal communication with Eileen Sigmund, July 22, 2015.

<sup>41</sup> In Arizona, a charter holder that operates multiple sites under a single charter is the PEA. A single-site charter is also a PEA.

legal and operational special education guidelines. Both for-profit and nonprofit charter entities are eligible for state funding. Under federal regulations, only nonprofit charter boards are eligible to receive IDEA funding. This stipulation precludes charter schools operated by for-profits from accessing Arizona's Extraordinary Special Education Needs Fund, which is supported by federal dollars.

## Special Education Enrollment

Based on data collected by the U.S. Department of Education Civil Rights Data Collection, 10.19 percent of the students in Arizona charter schools have disabilities, compared with 11.99 percent of the students in traditional public schools.<sup>42</sup> A number of schools in Arizona report that more than 35 percent of their students receive special education services.<sup>43</sup> For instance, in 2014, two schools opened that target students on the autism spectrum. Arizona's charter law does not expressly allow for preferences for students with disabilities. However, a charter applicant may identify academic programs and focus recruitment efforts on students with specific needs or interests. Authorizers and charter schools are responsible for ensuring that all students are served in accordance with the requirements of Americans with Disabilities Education Act, IDEA and Section 504.

## Special Education Funding

The Arizona Department of Education (ADE) distributes federal IDEA funds via a formula based on a base special education census count taken in December of —adjusted by new or expanding charter school submission of the IDEA Charter School Expansion Act grant applications— and poverty and population counts from the prior school year. School districts and charter schools must report these population and poverty data annually, and the U.S. Department of Education has issued guidance regarding how states are to adjust their process to accommodate new and expanding schools that would not have been a part of the 1998 special education census data. New charter schools submit their respective IDEA Charter School Expansion Act grant application once the school begins to serve students with disabilities to notify the SEA and record student count data to be used to generate distribution of IDEA funds. Existing

and expanding charter schools are required to submit this same application in order to notify the SEA of their increase in counts of special education-eligible students, their population, and/or poverty counts.

Based on concerns raised by charter schools, the Arizona Charter School Association (ACSA) recently examined how many charter schools were accessing their federal IDEA Part B dollars (i.e., the funding based on enrollment of students with disabilities by school population and/or poverty levels). ACSA discovered that 268 districts—representing both traditional and charter districts—were not accessing their IDEA Part B funding, which includes approximately \$513 per student with a disability,<sup>44</sup> due to nonsubmission of the IDEA Charter School Expansion Act applications. Upon discovering the discrepancy, ACSA provided a webinar to all Arizona charter schools informing them how to complete the necessary paperwork to report their special education-eligible students, poverty, and enrollment numbers that would generate distribution of their full IDEA Part B funding.

The ADE is also responsible for disbursing state special education funds. Unlike the federal IDEA funds, all charter schools—for-profit or nonprofit—are eligible for the state allotment. State dollars flow through districts to charters that are part of the district (i.e., linked), and directly to charter schools that operate as LEAs (i.e., not linked). The state funding works on the same formula for all public schools in the state of Arizona. The formula is based on the average daily membership (ADM), which is calculated based on the total enrollment of fractional and full-time students over the first 100 days of each school year. An amount is derived after the ADM posts. The schools are then responsible for aligning this ADM count to the special education assigned weight per student. The weights are based on a student's level of need, disability category, and required services. This results in significant variability in the funding added to the base per pupil. For instance, based on the most recent data publicly available, in 2007, students with speech and language impairments were allocated between \$1,434 and \$1,858 in state funds, students with specific learning disabilities were allocated between \$3,906 and \$5,968, and students with emotional disabilities were allocated between \$5,869 and \$10,443.<sup>45</sup>

<sup>42</sup> Rhim, L. M., Gumz, J., & Henderson, K., (October 2015). Key Trends in Special Education in Charter Schools: A Secondary Analysis of the Civil Rights Data Collection 2011-2012. Retrieved November 10, 2015 from [www.ncsecs.org/s/crdc\\_full.pdf](http://www.ncsecs.org/s/crdc_full.pdf)

<sup>43</sup> Ibid.

<sup>44</sup> "IDEA Funding," Arizona Charter Schools Association, last modified May 2015, accessed July 15, 2015, <https://azcharters.org/idea-funding>.



Arizona operates a risk pool for students who require services that are three times the state average expenditure (i.e., \$22,049 in 2015), the IDEA High-Cost Child Grant Special Education Supplemental Fund.<sup>45</sup> Schools may apply to the ADE to access the fund when they have essentially exhausted available special education funds. Arizona also operates an Extraordinary Special Education Needs Fund. Districts, including charter schools that operate as nonprofits, are eligible to apply for reimbursement for costs. However, the state has not allocated dollars to support the Extraordinary Fund since 1999.

While federal and state special education dollars are distributed equitably in Arizona, the base-funding amount that charters receive relative to traditional district counterparts is not equitable. Based on a 2011-2012 report by Student Equity Now, an advocacy group seeking to change the Arizona school funding mechanism, charter schools in Arizona receive an average total per-pupil allocation of \$7,684 versus a traditional district average of \$9,020. This difference is mostly due to the disparity in distribution of local funds.<sup>47</sup>

## State Role in Training and Compliance

The state requires new operators to attend mandatory annual training that covers the basics of special education and the use of federal funds. All new personnel who are working in existing schools are invited to attend. To reinforce the importance of the training, the Arizona State Board for Charter Schools has required the training provided by the Arizona SEA as part of their individual contracts with schools.

The ADE trains new schools on how to report enrollment data during their June required training and keeps a rolling enrollment reporting system open all year for new schools. Schools must submit the application based on projected enrollment counts, and then amend it after the October statewide enrollment count. However, the onus is on the charter school to complete the process.

The ADE oversees compliance and the flow of all federal and state special education funds. It assigns consultants

to serve as liaisons to individual charter schools, and a consultant is on call daily to respond to any questions charter schools may have. In addition, the ADE assigns mentors to assist all new special education directors in charter schools. The mentors help new charter schools establish protocols and programs, review IEPs, and establish operational mechanisms. At the ADE level, one unit oversees federal funds and one oversees the state funds. No matter the funding link, these units work hand in hand with all of the schools within the state.

Accurate reporting is critical to disseminating federal, state, and local dollars to support special education. The rapid growth—and, at times, mobility—of charter schools and charter personnel can make it difficult for state personnel to stay up to date. This issue is not unique to Arizona, as coding diligence requires a great deal of system knowledge, authorizer relationships, and organizational diligence on the school's behalf. While coding may appear to be a small administrative detail, accurate reporting using correct codes is critical to ensuring the state knows where individual students are enrolled and being served, which, in turn, generates federal and state funds to support the special education programs.

## System Strengths and Weaknesses

The funding mechanism for special education in Arizona is generally set up to ensure that charter schools receive equal funding for students with disabilities. Charter schools have the option to be authorized by such entities as the State Board for Charter Schools, universities, or community colleges that will allow them fiscal separation from traditional public school districts. The choice by a charter to be authorized by a school board requires the flow of money through that district, which can potentially result in a smaller allocation due to an administrative fee charged by the district. The general funding disparity between charters and traditional public schools means that any additional financial needs for special education affects charter schools greatly, potentially creating incentives to under-serve students with disabilities. Federal funding restrictions applied to for-profit charter schools may exacerbate similar

<sup>45</sup> Arizona Department of Education, Special Education Cost Study: Submitted in Compliance with A. R. S. §15-236 Phoenix, AZ: Author. December 2007), <http://www.azed.gov/special-education/files/2011/06/specialeducationcoststudy2007.pdf>.

<sup>46</sup> C. Hill, memo to Arizona Department of Education superintendents regarding 2015 IDEA high-costs grant special education supplemental funds, 2015.

<sup>47</sup> Student Equity Now (N.D.) Facts and stats: Why are some students considered worth less than others? Phoenix, AZ: Author. Retrieved July 15, 2015 from: [www.wtpp://studentequitynow.org/facts-and-stats.html](http://studentequitynow.org/facts-and-stats.html).

negative incentives for the enrollment, retention, and provision of students in special education.

Colorado						
Year Chartering Started	Authorizer	# of Schools	LEA Status	Funding Structure	Average Charter School Per-Pupil Allocation	State Special Education Funding Formula
1993	District/LEAs, Charter School Institute	197	Part of an LEA	Total link	\$8,472 <sup>48</sup>	Multiple student weights

## State Charter Context

As of the 2013-2014 school year, Colorado had 197 charter schools, which accounted for approximately 10 percent of all public schools in the state. Colorado law allows charter applicants to apply directly to districts—178 in the state—as well as to the independent Charter School Institute (CSI), which has statewide chartering authority. In rural areas, charters can enter into agreements with a Board of Cooperative Educational Services (BOCES), which acts as an intermediate administrative unit between the state and local districts for purposes of providing supports to local districts. The state charter law permits some districts to be granted exclusive chartering authority within a geographic region. If a district is granted this authority, the Colorado CSI cannot authorize new schools within that geographical boundary. The Colorado CSI authorizes 30 schools throughout the state, Denver Public Schools (DPS) authorizes 42 schools within Denver city limits, and other district authorizers oversee the remaining charters in the state.

## Special Education Funding

In Colorado, state and federal special education funds are allocated on a multiple-student weight funding formula that is set in state statute for the associated programs. As such, funding is allocated based on a per-student amount; the amount may vary based on disability, type of placement, or student need.

The formula for distribution of federal dollars, established in 1999, is a base amount for each district, referred to

in Colorado law as an “administrative unit” (AU). Every October, districts are required to report their special education enrollment counts to the state. This count, along with the count of students living in poverty, is then used to allocate the remaining federal funds. For the 2014-2015 school year, the average IDEA funding amount yields approximately \$156 per student.<sup>49</sup>

The state special education formula is based on a December enrollment count from the prior year. Colorado allocates a foundation of \$1,250 per student with a disability. The remaining funds are distributed on a per-pupil basis—up to a maximum of \$6,000 per student—for students with disabilities, based on the significance of their needs assigned according to tiers of service. The state funds flow to AUs, with 90 percent of the appropriation distributed in September and the remaining 10 percent distributed in the spring.

The state also has a limited High-Cost Allocation Fund—sometimes referred to as a “risk pool”—for students who have extremely high needs and require costly services (i.e., Tier C), which is distributed, student by student, each year.<sup>50</sup> Decisions regarding allocation are made by the Special Education Fiscal Advisory Committee, which evaluates applications for reimbursements in May of each year. The amount districts are reimbursed from the risk pool varies annually based on need across the state. If reimbursement requests exceed the dollars allocated to the pool, districts receive proportionally less than they request.

<sup>48</sup> Colorado School Finance Project (2013). Per pupil current spending and revenues for K-12 Public Education. Denver, CO: Author. Retrieved June 5, 2015 from: <http://www.cosfp.org/StateProfileData/2013/ProfileTable4StudentSpending2013.pdf>.

<sup>49</sup> Colorado Department of Education. (2015). State and federal allocation. Denver, CO: Author. Retrieved June 5, 2015 from: <http://www.cde.state.co.us/cdefisgrant/allocations>.

<sup>50</sup> “Special Education Fiscal Advisory Committee,” Colorado Department of Education, Retrieved July 15 from: <http://www.cde.state.co.us/cdespedfin/sefac>.

## Legal Status

All charter schools in Colorado are part of an LEA; the LEA is either the district in which the charter is located or the CSI. In instances where a charter is authorized by a rural district, the charter holder may utilize the BOCES as the LEA for special education services and all other federal programs (e.g., Title I). Distributions of special education funds to Colorado charter schools are always through the total-link model, in that funds flow through the LEA (i.e., school district, BOCES, or CSI) and are credited to the charter school. However, the actual cost of services provided by the district frequently exceeds the dollar amount credited. While the Colorado statute dictates that charter schools are part of the local districts in which they are located, the manner in which individual authorizers manage special education in charter schools varies.

### Colorado Charter School Insurance Model

Although the total-link model describes the special education funding path for all charter schools in the state, the ways in which charter schools utilize these funds varies. A few approaches depend on the school's agreement with its authorizer. Some districts require their charter schools to purchase special education services from them via an "insurance model." In this model, charter schools pay the district a per-pupil amount for all students as a guarantee for the cost of special education and related services for students with disabilities. The insurance model is not one size fits all, but rather is implemented in a full, partial, or independent insurance option (described below). Charters receive funds from the district of residence, and then, in return, pay the district for their chosen insurance option, creating a circuitous funding mechanism. While the insurance model has merits, it can lead to frustration on the part of charters, which may have little control over the quality or quantity of services offered by the district. Conversely, districts can be frustrated by the costs associated with providing services to students enrolled in charter schools.

#### *Full Insurance Model*

The full insurance option is the most common model selected by charter schools. The district, as the LEA, is entirely responsible for special education administration

and related services at the charter school. Districts use a detailed fiscal formula to define the net average special education per-pupil cost across the entire district, which charter schools pay (e.g., \$700 per student) to the district essentially as an insurance premium.<sup>51</sup> In return for the per-pupil allocation, the district provides services to the students with disabilities.

#### *Partial Insurance Model*

This model can be described as the a la carte approach, and is defined and agreed on between the LEA and the individual school in the charter agreement or contract. This approach varies significantly in charter schools across the state. When charters choose this approach, they are choosing from a prescribed set of services and pay the district for the services provided. The charter school then assumes responsibility for any additional or remaining services. An adjusted per-pupil financial formula is then calculated to determine costs and funding.

In Colorado, the partial insurance option presents a compromise between districts responsible for special education and charter schools striving for greater autonomy. Charter schools were finding that, as part of a larger district, they had limited control over the services for their students with disabilities. In particular, charter schools were frustrated about the lack of control over human resources, quality of service delivery, timeliness, and flexibility. At the same time, some Colorado districts (e.g., Jefferson County) were interested in granting charter schools autonomy. These districts were interested in giving charters choice within the parameters of the state charter law—either via service options (e.g., sending three physical therapists to the school and letting the school choose the best provider) or the ability to gain independence and capacity. By enabling, via the charter agreement, this partial insurance option, charters have been able to regain more control over services for their students, while also developing expertise and resources in-house to better serve all their students.

#### *Independent Insurance Model*

The independent insurance or contract model, described by some as the "on your own" option, was developed to accommodate a statewide virtual charter program, but in 2010 was used by almost 22 percent of

<sup>51</sup> Colo. Rev. Stat. § 22-30.5-1112(2)(a.8).

charter schools.<sup>52</sup> In this model, the district, based on the location of the school, takes central administrative responsibility—as required by law—but passes on 100 percent of the service responsibility to the charter school. Charter schools with this model may be compelled to maintain a substantial reserve fund dedicated to special education costs, to have a strong indemnification clause necessitating the school to take responsibility for any legal costs and to maintain records that justify expenditures for state and federal purposes. Essential to this model is a robust interaction between the relevant districts of residence and the charter special education personnel and administration.

The CSI utilizes a contract model with the schools it authorizes. Each contract that the CSI has with a school delineates special education responsibilities and services and requires a detailed annual audit. The CSI retains 3 percent of the per-pupil revenues for administrative costs, which covers training and oversight. The CSI receives and holds the state and federal special education funds, and distributes these funds to schools based on the enrollment of students with disabilities.

### **Other Approaches**

It also is worth noting that the evolution of the charter movement in Colorado has bred hybrids of these various models. Rocky Mountain Deaf School serves almost entirely students with disabilities and has been able, via a contract, to charge “excess costs”<sup>53</sup> to its district authorizer for district-resident students as well as to other districts of residence for students residing in those districts. Excess cost is the amount of money above the district per-pupil amount and the federal funds received based on the October 1 count.<sup>54</sup> Excess cost recovery provides the bulk of the charter school’s funding, which runs in excess of \$20,000 per student, per year. This program is costly to deliver, and while the school receives excess funds from multiple districts for the program delivery, it does not receive support for overhead (“indirect” costs) and it has been difficult for this school to provide comprehensive services and operate in the black.

## **Special Education Enrollment**

Based on data reported on the Civil Rights Data Collection in 2011-2012, on average, 10.37 percent of the students in traditional public schools in Colorado have IEPs compared with 6.46 percent of the students in charter schools.<sup>55</sup> In an effort to ensure charter schools serve a broad array of students with disabilities—including those with “low-incidence” disabilities that require more separate educational environments—in 2010, DPS created a new funding structure to encourage charter schools to create special education centers within their buildings. For instance, in one charter school, DPS is providing funding through a formula correlated to the cost of a full-time teacher to enable the charter school to offer an autism program. This relationship enables the charter school to house the program and also have the ability to hire its own special education personnel. Colorado is an example of how a state has adapted and created flexibility within special education funding paths for charters that operate as part of a traditional LEA.

## **Emerging Strategies**

Indirectly related to evolving efforts to provide funding and flexibility in how charter schools manage their special education program, Colorado is also exploring strategies to improve overall access to charter schools and boost accountability for outcomes. In 2010, Denver created a districtwide common enrollment system through which all students complete a single application and designate their school preferences as part of a districtwide centralized lottery. DPS also has introduced alternative accountability options for charter schools that serve at-risk populations. While these initiatives may serve as models for other states, Colorado charter schools reportedly continue to struggle to provide special education and related services because Colorado funding for special education is very low—by some calculations 51st in the nation. This reality causes relationships between charters and LEAs to be characterized by methods of sharing what amounts

<sup>52</sup> Colorado Department of Education, (June 2010). Charter School Special Education Finance Study Denver, CO: Author, <http://cospl.coalliance.org/fedora/repository/co%3A11601/ed1262c372010internet.pdf/>.

<sup>53</sup> As outlined in the Colorado charter statute Colo. Rev. Stat. § 22-20-109(5), “If a student with a disability attends a charter school, the school district of residence shall be responsible for paying any tuition charge for the excess costs incurred in educating the child in accordance with the provisions of § 22-20-109 (5). (i.e., the state special education statute).

<sup>54</sup> For more about Excess Costs in Colorado, see <http://www.cde.state.co.us/cdechart/guidebook/sped/excess#sthash.5FVOgnCi.dpuf>.

<sup>55</sup> Rhim, L. M., Gumz, J., & Henderson, K., (October 2015), Special Education Trends in Charter Schools.: Secondary analysis of the Civil Rights Data Collection. New York, NY: National Center for Special Education in Charter Schools.

to a shortfall in resources. Colorado policymakers are reportedly working to create a landscape that puts equity for all schools at the forefront while aiming to give more autonomy to charters in how they deliver special education and related services.

## System Strengths and Weaknesses

Colorado, while limiting charter autonomy by requiring their direct linkage to districts through LEA status, provides options and flexibility for charter schools. The various insurance models can give charter schools a spectrum of responsibility for administration, services, and finances related to special education. Small charter schools without personnel with high levels of technical understanding of special education may benefit from greater reliance on district support. Conversely, well-established charters can choose a more autonomous

model for services, utilizing their own staff and service models. Colorado’s BOCES also offers help to rural charter schools to overcome the incredibly challenging issue of special education in communities that may have sparse resources. Variable funding in the formula for students with more- or less-severe disabilities allows charter schools to have some confidence that funds will be commensurate with need, which can reduce incentives to “counsel out” or under-serve students with disabilities.

## State Charter Context

As of the 2013-2014 school year, New York had 233 charter schools, which accounted for approximately 4.5 percent of all public schools in the state. New York state law allows for three types of authorizers: 1) district boards of education, 2) the State University of New York

New York						
Year Chartering Started	Authorizer	# of Schools	LEA Status	Funding Structure	Average Charter School Per-Pupil Allocation	State Special Education Funding Formula
1998	State University of New York, State Board of Regents (State Dept. of Education)	233	Part of an LEA	Partial link	\$15,920	Individual student weights

(SUNY), and 3) the State Board of Regents. Currently, New York City (NYC) and Buffalo Public Schools are the only districts that have authorized any charters.

## Legal Status

Under New York state law, a charter school is an independent LEA for all purposes except special education. The district of residence of each student remains the LEA for purposes of special education. The LEA of residence is responsible for establishing and overseeing special education and related services, including the creation and evaluation of progress toward goals outlined in the IEP of each child with a disability who is enrolled in a local charter school.<sup>56</sup>

The charter school is required to implement each IEP and 504 plan. However, the New York charter law allows the charter school, in implementing an IEP, to choose

whether to provide services directly, hire an independent service provider, or ask the district of residence to provide said services. The LEA determines the amount of federal special education funding the charter school will receive, based on calculating a proportionate amount related to the needed level of service (i.e., the tier of service) for the individual student. If the school is providing services in-house, the funding the LEA forwards (i.e., passes through) to the charter school is generally less than what the district would have allocated to provide the services in a traditional public school due to calculations used to determine the pass through and the LEA’s retaining administrative costs.

## District Role in Provision of Special Education and Related Services

In NYC, the local community school district (CSD) where a charter school is located retains responsibility

<sup>56</sup> In NYC, the local community school district of residence functions as the LEA.

for providing special education services to students who enroll in the school. The CSD functions as the local branch of the NYC LEA. Special education services in the CSDs are handled by a system of regional committees on special education (CSEs). Each charter school is assigned to a CSE. Charter school operators must establish with the NYC Department of Education (DOE) the level of services provided at the school for each student. Related services provided by the NYC DOE must be accessed through a list of service providers compiled by the NYC DOE.

Through the CSEs, state personnel serve on charter school IEP teams. Once IEPs are developed, charter schools are dependent on the NYC DOE to provide specialized staff, resources, and services. Charter schools are frequently left with little flexibility in terms of delivering and assessing the quality of service. Because the NYC DOE is responsible for providing special education services, CSE members may have an incentive to refer students with more significant special education needs back to existing special education programs rather than provide supports in charter schools. In the past, it was the position of the NYC DOE that charter school students seeking full-time special education services from the NYC DOE must be sent back to the district for placement by the district. It appears that this position is now more flexible. But such arrangements that result in the district retaining students with substantial needs arguably violate the students' civil rights outlined under Section 504 to access a "unique" program.<sup>57</sup> These arrangements can also create a system in which charter schools are criticized for not enrolling enough students with disabilities or not delivering on their promise of serving all students fairly, equitably, and soundly.

## Special Education Enrollment Data

Based on data reported on the Civil Rights Data Collection in 2011-2012, on average, 14.63 percent of students in traditional public schools in New York have

IEPs, compared with 12.09 percent of students in charter schools.<sup>58</sup> In New York, 81 percent<sup>59</sup> of charter schools are clustered in NYC. Within NYC, recent estimates indicate that charter schools serve 13.4 percent of students with disabilities, compared with a citywide percentage of 17.6 percent.<sup>60</sup>

## New York Enrollment Targets

Since 2010, the New York charter law has required charter schools, upon renewal or start-up, to meet or exceed district specific enrollment and retention targets for students with disabilities. While this law was developed to help address equity concerns, the extent to which the law has actually influenced enrollment is not yet clear. A preliminary study indicates that the majority of schools in New York continue to choose blind lotteries that do not take into account such at-risk characteristics as special education. Overall, in the first few years of implementation of the policy, no change seems to have occurred in charter school enrollment of students with disabilities.<sup>61</sup> Notably, the requirement only addresses enrollment and retention numbers. The system does not address service-delivery quality issues or charter schools' approaches and processes related to identifying students with disabilities, training or monitoring. It is a simple quota, and one that does not take into account the great range of special education needs presented by students. It also fails to factor in the reality that, in some areas, students are over-identified for special education. Finding fault with charter schools that don't match excessively high percentages of students identified as having a disability is problematic.

## New York Enrollment Preferences

The New York state charter law allows charter schools to focus their admissions on students "at risk for academic failure."<sup>62</sup> This has resulted in the creation of numerous schools across the state that serve significant numbers of students with high needs, but not necessarily students

<sup>57</sup> Section 504 of the Rehabilitation Act of 1973, 34 C.F.R. Part 104.4

<sup>58</sup> Rhim et al. Key Trends in Special Education in Charter Schools.

<sup>59</sup> Based on 2013-2014 School year data: <http://www.publiccharters.org/wp-content/uploads/2014/02/New-and-Closed-Report-February-20141.pdf> and <http://www.nyccharterschools.org/facts>

<sup>60</sup> New York City Charter School Center (2015) 2013-2014 test scores show gains. New York, NY: Author. Retrieved July 1, 2015: <http://www.nyccharterschools.org/blog/testscores2014>

<sup>61</sup> Tabron, L. A., Hokom, M & Qin, M., (2015). What Could the Use of Weighted Lotteries Mean for the Demographic Mix of NY charters?" (presentation for the 40th Annual Conference of the Association of Education Finance and Policy, Washington, DC. [https://aefpweb.org/sites/default/files/webform/aefp40/AEFPMasterPaper\\_2%2020\\_L2.pdf](https://aefpweb.org/sites/default/files/webform/aefp40/AEFPMasterPaper_2%2020_L2.pdf).

with disabilities. Some of these schools operate within the prescribed funding structure, and some have negotiated additional aid from district and state sources.

## Special Education Funding

In New York, special education funding is distributed using individual student weights based on the services they require. If the CSE's IEP team decides a student enrolled in a charter school requires intensive special education services within that setting, the individual charter school may arrange for provision of the services and bill the NYC DOE. Services and related costs are based on a three-tiered system of need. For a student who requires special education services for less than 20 percent of the school day, no additional funding is provided. For a student who requires special education services 20-59 percent of the school day, schools will receive an additional \$10,390 per student. For students who require special education services over 60 percent of the school day, schools will receive an additional \$19,049 per student. The tiered system is not unique to charter schools and is applied statewide for all students who receive special education and related services. Of the total allocations for students in special education in New York, an average of about \$1,652 comes from federal IDEA Part B.<sup>62</sup>

Despite high levels of excess cost funding to address the needs of students with the most significant disabilities, no additional funding is provided for the majority of students with disabilities served in NYC charter schools—those who fall into the lower two tiers. As a result, many schools do not build out their own speech therapy, occupational and physical therapy, and other related services. Instead, charter schools often rely on the district for these services and so are not able to control quality or alignment of services with the broader charter program.

New York charter schools bill the students' districts of residence for costs associated with special education. For the 49 (2013-2014) charter schools located outside NYC, complications have arisen because schools recruit and enroll students from multiple districts. Consequently, charter schools often deal with multiple districts' billing systems and bureaucracies to recoup payments. In addition, they must navigate a variety of local CSEs to

ensure IEP compliance, address placement disputes, and navigate other special education-related decisions.

In 2004, the NYC DOE recognized that roughly half of the funding necessary to deliver special education and related services was not being directly passed through via the complex funding formula to the city's charter schools. To adjust for that, the city instituted a policy to provide additional, tiered funding based on services provided by the charter school. This funding, on top of the state-regulated per-pupil funding, ensures that charter schools receive comparable funding to meet their obligations to a similar degree as a traditional district school.

## System Strengths and Weaknesses

The system in New York, while well-funded, runs up against one of the biggest problems that occur for charter schools that do not operate as their own LEA: a disconnect between the institution funding services (the LEA) and the institution delivering services (the charter school). Charter schools are forced to choose between receiving their full special education allocation through services being directly provided by the district, and having autonomy through running their own special education programs but likely losing part of their special education funds. The district has little incentive, when providing services, to do so at a high caliber because it does not have any source of accountability to parents or the charter schools. Nevertheless, the overall cost of managing reimbursement and administration for special education makes it difficult for charter schools to reasonably opt to manage their own services. Remedying these issues will be important for New York to consider as the charter sector continues to grow.

Multiple nonprofit support organizations, such as the New York City Special Education Collaborative, are working to create a system of resources, best practices, professional development, and coaching opportunities to ensure that all schools—despite the indirect funding path—are providing quality instructional and fully compliant special education services to all students. Advocacy, knowledge, and participation are key in order for New York charter schools to combat service delivery, enrollment, and funding obstacles. New York law provides a great deal of autonomy to the individual

<sup>62</sup> N.Y. Educ. Law § 2853: Charter school organization; oversight; facilities

<sup>63</sup> New York State Education Department (2015). State calculated minimum per-pupil allocations. Albany, NY: Retrieved August 15 from: [http://www.p12.nysed.gov/sedcar/federal/2015-16/perpupil\\_1516.html](http://www.p12.nysed.gov/sedcar/federal/2015-16/perpupil_1516.html).

schools, and the state has a high per-pupil funding amount, especially as compared with both Arizona and Colorado. That favorable base level of funding gives New York a strong financial position from which to operate. This landscape, combined with the distinctive geographical spread of urban to rural schools, continues to make New York an intriguing environment that is closely watched by other chartering states.

## Conclusion

This paper represents the most comprehensive analysis to date of how special education is funded in charter schools. However, it leaves many unanswered questions. Most notably, what is the best model? Absent a more in-depth and representative analysis that considers all relevant variables (e.g., underlying state charter funding formula, state special education funding formula, and individual schools' LEA statuses) we cannot assess which approach to funding special education in charter schools is "best" or even identify multiple models that effectively address the various competing priorities related to equity and adequacy in both the charter and traditional public sector. Rather, similar to the broader struggle to balance equity and adequacy while minimizing potential adverse incentives, determining how best to fund special education in charter schools is highly dependent on how states fund public schools more generally and how they have retrofit their governance structure to accommodate autonomous charter schools.

Arizona, Colorado, and New York each have their own distinct funding challenges as well as unique elements that are arguably promising. But it is unclear to what extent these elements are portable. For instance, New York's overall state funding formula is critical to charters and the local district working together to provide a full continuum of options. The synergistic relationship would not be feasible given a different funding base or distribution formula.

In each state, charters presumably work to maximize both state and federal dollars to educate special education students in compliance with federal law and, ideally, in innovative and effective ways. The charter model provides an opportunity to establish and create

best practices and provide choice for all families. Within this structure, and despite funding obstacles, charter schools need to learn what questions to ask, what trainings to attend, what requirements they face, and how to navigate the process to optimize their special education dollars.

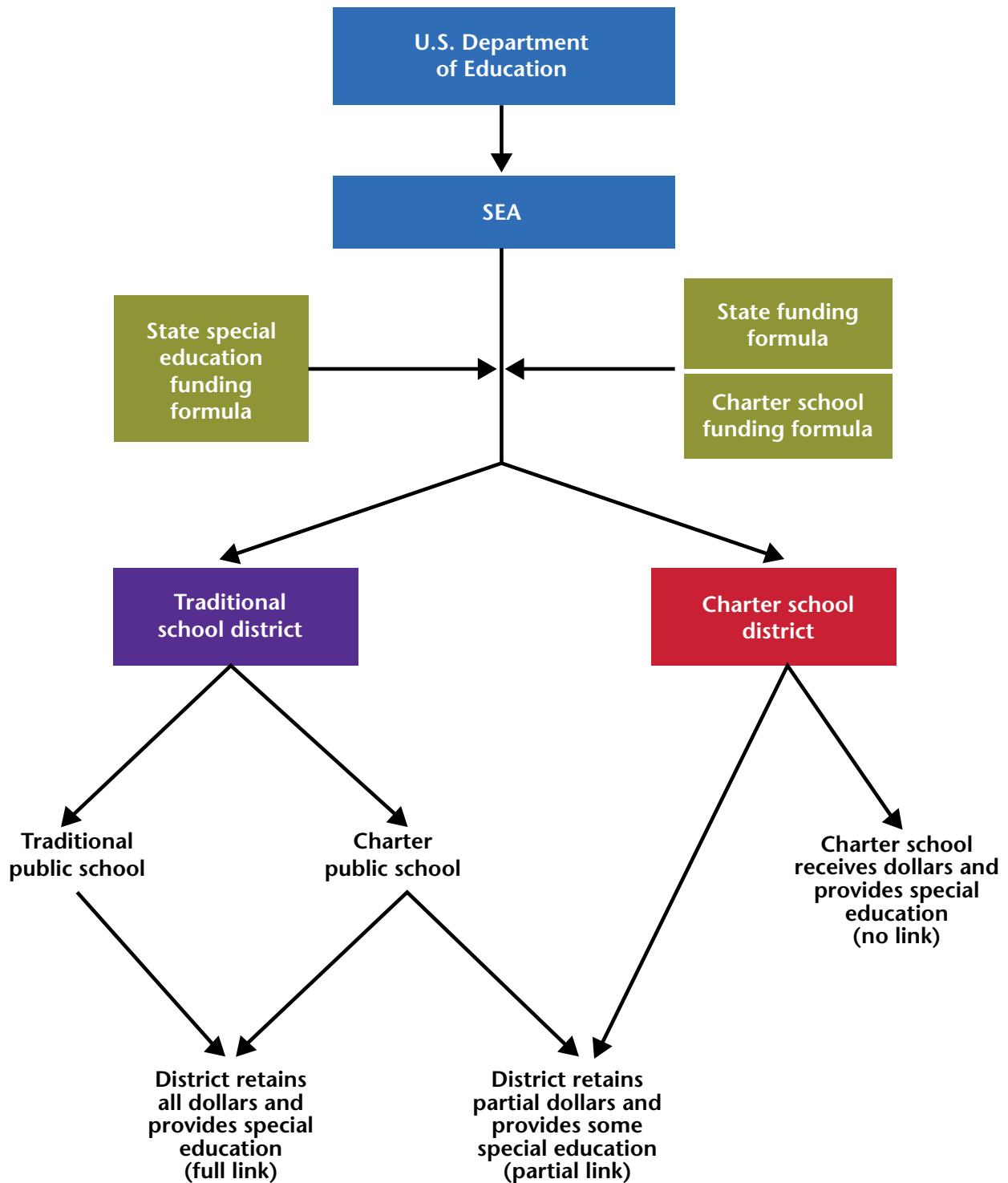
Policymakers should aspire to develop new and innovative models to fund special education overall—and in charter schools in particular—to ensure that a student's decision to exercise choice does not trigger a precipitous decrease in the resources available to him or her, or, conversely, that the lack of resources does not limit a student's choices.<sup>64</sup> Because of the complicated history of federal categorical-aid disbursements, special education advocates know equity and adaptation are not the norm for special education funding in all schools. Despite this, charter schools need to push the agenda, band together, and advocate for special education funding equality in order to best serve all students. Developing a basic understanding of how special education is funded in the charter sector is the first step of this journey.

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<sup>64</sup> The Recovery School District in Louisiana recently developed a multipronged strategy to ensure students with disability have ready access to a full continuum of options in charter schools and revised the state funding formula to ensure dollars follow students based on both their diagnosis and the services they require. These new policies and practices have promise, but it is premature to assess the extent to which these changes will generate the desired outcomes related to access and outcomes for students with disabilities.



## Special Education Funding Paths



Arrows = Flow of authority and money

## Appendix A

### Key Questions and Variables to Consider Regarding Special Education Funding in Your State

1. What is the legal status (e.g., own LEA, part of an existing LEA, or a hybrid) of your school for purposes of special education?
  - What is your “linkage” to a local district or LEA for purposes of accessing federal, state, and local funds and providing special education and related services?
  - If your school operates as part of an LEA, what is the LEA responsible for providing related to special education, and what responsibility do you have as a school of the LEA?
  - If your school operates as part of an LEA, how does the district quantify the value of the special education and related services it provides to your school?
  
2. How do charter schools in your state receive federal, state, and local funds?
  - Do you have access to the same federal, state, and local dollars as traditional public schools?
  - What formula does your state use to distribute IDEA Part B and C funds?
  - What formula does your state use to distribute and reimburse state dollars?
  - Does your state fund preschool, and if so, how do charter schools access these dollars?
  - Does your state have a means to subsidize the cost of educating students with extraordinary special education needs (e.g., risk pools, high-cost aid)?
  - How do you access Medicaid reimbursement for qualified special education services?
  - If your state has a formula to reimburse schools for extraordinary costs, how do charter schools access these funds?
  
3. How do charter schools in your state submit data regarding special education enrollment and service provision?
  - Who in your school is responsible for submitting data regarding special education enrollment and provision of services?
  - Do you have a system to verify that data being reported are accurate (e.g., one staff member enters data and a second staff member verifies accuracy)?
  - Do district and state data reports accurately reflect the enrollment data specific to students with disabilities at your school?
  - If published reports regarding your enrollment are not accurate, who do you contact to correct the data?

# Appendix B

## Charter School Policy Matrix<sup>65</sup>

State	# of Schools (2013-2014)	Type of Authorizer(s) <sup>66</sup>	Legal Status	Type of Linkage for Special Education	State Special Education Funding Formula
AK	27	LEA	Part of an LEA	Partial link	Combination of funding formula types
AZ	605	State charter school board Local school districts	LEA	No link Partial link (LEA chartered)	Multiple student weights
AR	39	SEA charter authorizing panel	Open-enrollment schools are LEAs Conversion schools are part of an LEA	Open-enrollment schools are no link Conversion schools are total link	No separate funding formula for special education—instead, special education dollars are included in the general fund
CA	1,130	LEAs or county offices of education	LEA Part of LEA for the purposes of IDEA	No link Partial link	Census-based
CO	197	LEAs The CSI of Colorado	Part of an LEA	Total link	Multiple student weights
CT	18	State board of education	Part of an LEA	Total link	No separate distribution of special education funding—funding formula rolls special education costs into general funding
DE	21	LEA or state department of education for start-ups; LEA for conversions	LEA	No link	Resource-based
DC	60	D.C. Public Charter School Board	LEA Part of an LEA for the purposes of IDEA	No link Partial link	Single student weight
FL	625	LEA	Part of an LEA	Partial link	Multiple student weights
GA	110	State board of education/LEA State charter school commission	Part of an LEA LEA	Total link for charters authorized through the LEA No link for charters authorized as their own LEAs	Multiple student weights

<sup>65</sup> Matrix is based on a document initially created and maintained by Eileen Ahearn under the auspices of SpedTACS, a federally funded technical assistance project led by the National Association of State Directors of Special Education. The table includes data collected directly from state directors of special education and a review of state charter school statutes updated on an annual basis.

<sup>66</sup> Many states permit multiple entities to grant charters and in some instances it is a two-step process wherein a local district is the authorizer but the state board of education is the final authority. For the purposes of this table, the entity listed is the one that holds primary responsibility for fulfilling authorizer duties (i.e., application, oversight, and renewal).

## Appendix B: Charter School Policy Matrix

State	# of Schools (2013-2014)	Type of Authorizer(s) <sup>66</sup>	Legal Status	Type of Linkage for Special Education	State Special Education Funding Formula
HI	33	State public charter school commission  Public and private post-secondary schools, county or state agencies, and nonprofit	Part of an LEA	Partial link	No separate special education funding formula—special education funds are rolled into the general fund instead
ID	47	LEA	LEA	Total link	Census-based
		Idaho Public Charter School Commission	Part of an LEA	No link	
IL	66	Illinois Charter School Commission	LEA	No link	Funding formula is based on a combination system
		LEA	Part of an LEA	Partial link	
IN	75	LEAs	LEA	No link	Multiple student weights
		Charter school board, public and nonprofit universities, and executive of a consolidated city			
IA	3	LEA State board of education	Part of an LEA	Partial link	Multiple student weights
KS	11	LEA	Part of an LEA	Total link	Resource-based
LA	117	State board of education	LEA	Partial link	Single student weights
		LEA	Part of an LEA		
ME	5	Local school board within an administrative unit	Part of an LEA	Total link	Single student weight
		A collaborative of approved authorizers State charter school commission	LEA	No link	
MD	52	LEA	Part of an LEA	Partial link	Combination system
		State board of education under limited circumstances			
MA	81	State board of education (i.e., Commonwealth charters)	LEA	No link	Census-based
		LEA + local teacher union + state board (Horace Mann charters)	Part of an LEA	Total link	
MI	297	Intermediate school board Board of a community college governing board of a state public university Entity created by two authorizers through an inter-local agreement	LEA	No link	Percentage reimbursement system
		LEA	Part of an LEA	Total link	

## Appendix B: Charter School Policy Matrix

State	# of Schools (2013-2014)	Type of Authorizer(s) <sup>66</sup>	Legal Status	Type of Linkage for Special Education	State Special Education Funding Formula
MN	149	School board; intermediate school district board or education district  Eligible nonprofit organization  College or university Single-purpose authorizers	LEA	Partial link	Percentage reimbursement system
MS	0	Mississippi Charter School Authorizer Board	LEA	No link	Resource-based
MO	38	The local school district in which the charter will reside  A four-year college or university or a community college with its primary campus in Missouri  Special administrative board of the St. Louis School District  Missouri Public Charter School Commission	LEA  Part of an LEA	No link  Partial link	No separate special education funding formula—special education funds and expenses are included with general funds and expenses
NV	34	LEA county school districts; colleges and universities within the Nevada System of Higher Education; and State Public Charter Authority (SPCSA)	Part of an LEA	Partial link	Single student weights
NH	19	State  LEA	Part of an LEA	Total link	Single student weights
NJ	87	Commissioner of education	LEA	Partial link	Census-based
NM	95	Public education commission  Local school board	LEA  Part of an LEA	No link  Partial link	Multiple student weights
NY	233	State university trustees  Board of regents  LEA (with subsequent approval by the board of regents)	Part of an LEA	Partial link	Single student weights
NC	127	State board of education	LEA	No link	Single student weights

## Appendix B: Charter School Policy Matrix

State	# of Schools (2013-2014)	Type of Authorizer(s) <sup>66</sup>	Legal Status	Type of Linkage for Special Education	State Special Education Funding Formula
OH	400	LEA Other LEA in the same county Educational service center LEA of a joint vocational district 13 state universities named in the law	LEA	No link	Multiple student weights
OK	25	LEA Higher education entities career tech centers Federally recognized tribes	LEA	No link Partial link	Multiple student weights
OR	124	LEA and state board of education by appeal	Part of an LEA	Total link	Single student weights
PA	176	LEA and SEA	LEA and SEA	No link	Census-based (16%)
RI	19	State board of education after recommendation from the commissioner	LEA	No link	No separate special education funding formula—special education funding is included with all other funding
SC	59	LEA State (South Carolina public charter school district)	Part of an LEA	Partial link Total link	Multiple student weights
TN	71	LEA	Part of an LEA	Partial link, total link	Resource-based
TX	280	State authorizes open-enrollment charter schools LEA authorizes campus charter schools	LEA Part of an LEA	No link for open-enrollment charters Total link for campus charters	Multiple student weights
UT	95	State charter school board LEA Select institutions of higher education	LEA	No link for state board charters Partial link for LEA charters	Block grants
VA	6	LEA	Part of an LEA	Total link	Resource-based
WA*	9	Washington Charter School Commission School District boards of directors	LEA	No link	Single student weight
WI	245	LEAs are primary authorizers Milwaukee (Institutions of Higher Education (IDE) and the city) Racine (IHE)	Part of an LEA	Total link No link	Percentage reimbursement
WY	4	LEA	Part of an LEA	Total link	Percentage reimbursement

\* In September 2015, the Washington State Supreme Court issued a ruling that the state charter school law was unconstitutional due to charter schools not meeting the definition of “common schools.”

## Appendix C

### Statutory Review of State Charter School Special Education Funding Laws

Each state charter school law or associated statutes prescribe how charter schools are funded, including how they receive dollars designated to support special education programs and services. Based on an examination of these statutes, the following state-by-state review 1) describes the statutory framework that shapes special education funding in the charter sector, and 2) identifies the specific statutes charter schools and support organizations need to be familiar with in their respective states. This review should not be construed as legal advice, but rather a point-in-time of key statutes we reviewed in mid-2015. As is the case with most laws, there may be a practical difference between what is in the statute and what is operationalized at the school and district level.

#### ALASKA

Alaska currently has 27 operating charter schools. In Alaska, charter schools are members within the district LEA. Charter schools seeking authorization must first apply to the local school district, and the state board of education must then approve applications. Once approved by both entities, the school district becomes the charter authorizer. Federal and state special education funds flow to the district LEA, which retains administrative costs (capped at 4 percent) and indirect costs. The remaining funds then flow to the charter school, making Alaska a partial-link state. Alaska relies on a combination funding formula for special education, and the amount of funding generated by both general and special education students enrolled in the charter school is determined in the same manner as it would be for a student enrolled in another public school in that school district. This amount includes funds generated by grants; appropriations; federal impact aid; the required local contribution; the local contribution under Alaska Stat. § 14.17.410(c); and the federal, state, and local contribution for special needs students under Alaska Stat. § 14.17.420(a)(1). Alaska's level of general per-pupil funding is based on the revenue of the local school district, and the charter school negotiates base funding with the district based in part on indirect per-pupil costs. In addition to the state special education aid allocated under the combination formula, supplemental state special education funding is available for districts that have a high volume of students with a disability, as well as on an individual-claim basis for students with high-cost, low-incidence disabilities.

#### Special Education Law

**Alaska Stat. § 14.17.420:** Special needs and intensive services funding (amended by 2014 Alaska Laws Ch. 15, H.B. 278)

**Alaska Stat. § 14.17.410:** Public school funding

**Alaska Stat. § 14.30.335:** Eligibility for federal funds

**Alaska Stat. § 14.30.650:** Special Education Services Agency, funding

#### Charter School Statute

**Alaska Stat. 14.03.260:** Charter school funding (amended by 2014 Alaska Laws Ch. 15, H.B. 278)

**Alaska Stat. 14.03.255:** Organization and operation of a charter school (amended by 2014 Alaska Laws Ch. 15, H.B. 278)

#### ARIZONA

There are currently 605 charter schools operating in the state of Arizona. Charters have a variety of options for authorization, including the local school district (if the charter will be located within its geographic boundaries), the Arizona State Board for Charter Schools, the state board of education, and a state university or community college district. Under Arizona law, the charter school is designated as its own LEA, and is responsible for meeting the special education needs of its students. Schools may have either no-link or partial-link status depending on

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

their authorizer: No-link schools are authorized by the state charter board and receive federal, state, and local funds directly, including those dollars designated for special education. For the small number of partial-link schools that are authorized by the local school district, federal, state, and local dollars, including those federal and state dollars designated for special education, flow through the district LEA. All funds are overseen and dispersed by the ADE, which provides consultants to charters to answer any questions they may have about general or special education funding. Arizona's special education funding is based on multiple student weights, which vary based on the student's needs, disability, or placement type. For low-incidence, high-cost disabilities, the availability of additional funding depends of the school's LEA status—no-link schools may apply for any additional federal or state funds designed to serve those students that a district would be eligible for, while partial-link schools may request that the district apply for such funds on behalf of students enrolled in the charter.

### Special Education Law

**Ariz. Rev. Stat. § 15-769:** Appropriation and apportionment; approval of program

**Ariz. Rev. Stat. § 15-774:** Extraordinary Special Education Needs Fund; grant application; criteria

**Ariz. Rev. Stat. § 15-1182:** Special education fund; administration

**Ariz. Rev. Stat. § 15-1202:** Special education fund account; administration; expenditure limitation

### Charter School Statute

**Ariz. Rev. Stat. § 15-183:** Charter schools; application; requirements; immunity; exemptions; renewal of application; reprisal; fee; funds

**Ariz. Rev. Stat. § 15-185:** Charter schools; financing; civil penalty; transportation; definitions

## ARKANSAS

There are 39 charter schools currently operating in Arkansas. The Arkansas State Board of Education serves as authorizer for those schools, though a provision allows local school districts to evaluate and comment on pending charter applications before they go to the state board. However, these comments are not supposed to affect the final decision of the school board as to whether to grant a charter. There is some differentiation in legal designation for conversion versus open-enrollment charter schools. For conversion charters, the local school district is designated as the LEA, and the charter has a total link with that district—all state and federal funds are dispersed directly to the LEA. In open-enrollment schools, the charter school itself is the LEA and has no link to any other LEA, which means that federal and state dollars flow directly to the charter, which is then responsible for providing special education services to students. Arkansas' funding formula does not provide for separate special education funding—federal and state special education dollars are included with general funding levels and are distributed to LEAs as such. That said, charters are entitled to federal, state, and local funding levels comparable to those of traditional public schools for students with disabilities, and Arkansas state law allows both types of charters to apply for additional federal or state funding to serve students with low-incidence, high-cost disabilities.

### Special Education Law

**Ark. Code Ann. § 6-41-205:** Provision for education

**Ark. Code Ann. § 6-41-206:** Responsibilities of state and school districts

**Ark. Code Ann. § 6-41-207:** Duties of the state board of education

**Ark. Code Ann. § 6-41-208:** Contracts for services

**Ark. Code Ann. § 6-41-209:** Cooperation among state agencies

**Ark. Code Ann. § 6-41-221:** Receipt and disbursement of federal funds

**Ark. Code Ann. § 6-41-307:** Appropriations, state

### Charter School Statute

**Ark. Code Ann. § 6-23-501:** Funding for open-enrollment public charter schools

**Ark. Code Ann. § 6-23-502:** Source of funding

**Ark. Code Ann. § 6-23-503:** Use of funding

**Ark. Code Ann. § 6-23-701:** Designated public charter authorizer



## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

### CALIFORNIA

California has the largest number of charter schools of any state, with over 1,200 charters currently in operation in fall 2015. California law allows new applicants to apply to multiple authorizers, including the local school district if the charter will operate within its boundaries, the county board of education if the charter will serve pupils otherwise served by the county within its geographic boundaries, and the state board of education if the charter will operate multiple sites throughout the state. For special education purposes, charter schools have the option of either being part of their authorizer's LEA in a partial-link arrangement, or becoming their own LEAs in a no-link arrangement and joining a special education local plan area (SELPA). Consequently, the manner in which funds are distributed is dependent on multiple variables (e.g., who authorizers and decision related to legal status and SELPA). A SELPA is an administrative unit originally designed to ensure that all students in a geographic region had access to services. It now functions as a fiscal pass through similar to structures in other states. All state and federal money passes from the State, to the SELPA, and is then sent to member LEAs depending on the local allocation plan that has been developed. The state of California requires all schools be a member of a SELPA which is then responsible for assisting members implement responsibilities outlined in IDEA. Each SELPA is responsible for developing their own plan to distribute special education dollars. By default, all charter schools are part of their local authorizing district and members of the respective SELPA that incorporates their authorizer. Authorizers and charter schools have been creative in developing unique arrangements in this relationship. Charters that are part of their authorizer for special education must contribute an equitable portion (e.g., it ranges in the state from \$0 to \$1,500 in San Diego) of their charter school block grant funding to support districtwide special education costs and services.

There are three types of SELPAs in CA. A SELPA may be composed entirely of charters. California law requires a SELPA to tailor their local plans to include charter schools and does not impose geographic limitations on which SELPA a charter may join. All special education funds in California must flow through a SELPA and are then filtered to each district within that SELPA.

Each fiscal year, the local authorizer or LEA allocates a portion of property tax revenue to charter schools based on districtwide average daily attendance. Charters may negotiate with their LEA for a share of operational funding from other sources (e.g., sales tax, forest preserve revenues). A charter is deemed its own LEA for purposes of determining eligibility for California Lottery funds. California's special education funding formula is census-based, meaning it designates a fixed dollar amount per student based on average daily attendance ADA ADM.

California maintains a fund for districts who serve students with low-incidence disabilities. These dollars are typically retained by the SELPA unless the charter school is an LEA member.

#### Special Education Law

**Cal. Educ. Code § 56205:** Policies, procedures, and programs consistent with state; contents of local plan

**Cal. Educ. Code § 56207.5:** Request by charter school to participate; review and approval

**Cal. Educ. Code § 56836.01:** Responsibilities of administrators of special education local plan areas

**Cal. Educ. Code § 56836.07:** Allocation of funds for the special education local plan area; proportionate share to the Los Angeles County Juvenile Court and Community School/Division of Alternative Education Special Education Local Plan Area

**Cal. Educ. Code § 56836.08:** Computations to determine funding for each local plan area; general fund moneys

**Cal. Educ. Code § 56836.10:** Amount of funding per unit of average daily attendance; computations

**Cal. Educ. Code § 56836.11:** Statewide target amount per unit of average daily attendance; computation of equalization and other adjustments for fiscal years

**Cal. Educ. Code § 56836.22:** Funding for special education and related services; per-pupil entitlement (low-incidence funding)

**Cal. Educ. Code § 56836.145:** Computation of equalization adjustment for each special education local plan area; special education funding rate per unit of average daily attendance; statewide 90th percentile special education funding rate

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**Cal. Educ. Code § 56836.156:** Calculation and allocation of funds to special education local plan areas; permanent increases in amount per unit of average daily attendance for special education local plan areas; priority of programs; supplemental funding

**Cal. Educ. Code § 56837:** Allocations for local entitlements (federal funding)

### Charter School Statute

**Cal. Educ. Code § 47630.5:** Application of charter; use of charter school funding method; additional responsibilities

**Cal. Educ. Code § 47631:** Application of Article 3; charter school authorized pursuant to Section 47605.5; average daily attendance rate; funding

**Cal. Educ. Code § 47634.4:** Charter school's individual application for federal and state categorical programs

**Cal. Educ. Code § 47635:** Annual transfer of funding in lieu of property taxes

**Cal. Educ. Code § 47636:** Application for funding from other sources

**Cal. Educ. Code § 47638:** Lottery funds; allocation

**Cal. Educ. Code § 47640:** Local education agency

**Cal. Educ. Code § 47641:** Charter school deemed as local educational agency

**Cal. Educ. Code § 47642:** State and federal funding; inclusion in allocation plan

**Cal. Educ. Code § 47643:** Change in allocation plan

**Cal. Educ. Code § 47644:** School deemed local educational authority; apportionment of funds

**Cal. Educ. Code § 47646:** Special education funding and services

**Cal. Educ. Code § 47650:** Charter school deemed a school district; total amount certified

**Cal. Educ. Code § 47651:** Receipt of state aid; method

## COLORADO

The state of Colorado has 197 charter schools currently in operation. Under Colorado law, all school districts are permitted to authorize charter schools, provided the majority of the students who will attend the charter reside within the authorizing district. The state also gives authority to the CSI, a statewide organization that is granted "exclusive chartering authority" by the Colorado State Board of Education. All charter schools in Colorado are part of an LEA in a total-link system—for schools authorized by the CSI, the CSI serves as LEA, while for schools authorized by a local school district, the district serves as the LEA. In both cases, the LEA is responsible for providing special education to all students under its authority, including those attending charter schools. Federal and state special education funds flow to the LEA, and the school district is responsible for educating students with disabilities enrolled in charter schools. Colorado's special education formula is based on multiple student weights, and varies based on the amount and type of services and placement a student needs, as well as on the nature of the student's disability. Because the excess cost of educating special education students falls to the district, many district LEAs require their charters to utilize an "insurance model" in which the charter pays a fixed per-pupil expense for all enrolled students to the district as insurance toward the cost of educating a subset of students who require special education or related services.

### Special Education Law

**Colo. Rev. Stat. Ann. § 22-20-114:** Funding of programs; legislative intent; definition

**Colo. Rev. Stat. Ann. § 22-20-109:** Tuition; rules

**Colo. Rev. Stat. Ann. § 22-20-114.5:** Special education fiscal advisory committee; special education high-cost grants; definitions; repeal

### Charter School Statute

**Colo. Rev. Stat. Ann. § 22-30.5-111.5:** Charter schools; financing; definitions

**Colo. Rev. Stat. Ann. § 22-30.5-111.7:** Financial reporting; request for accounting

**Colo. Rev. Stat. Ann. § 22-30.5-112:** Charter schools; financing; definitions; guidelines

**Colo. Rev. Stat. Ann. § 22-30.5-112.2:** Charter schools; at-risk supplemental aid; definitions; legislative declaration

**Colo. Rev. Stat. Ann. § 22-30.5-112.3:** Charter schools; additional aid from district

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**Colo. Rev. Stat. Ann. § 22-30.5-513:** Institute charter schools; definitions; funding; at-risk supplemental aid; legislative declaration

**Colo. Rev. Stat. Ann. § 22-30.5-513.5:** Institute charter schools; funding; definitions

**Colo. Rev. Stat. Ann. § 22-30.5-515:** Institute charter school; additional aid

### CONNECTICUT

Currently, there are 18 charter schools operating in Connecticut. Charters may be authorized by either the state board of education (for state charter schools) or the local school district and the state board of education (for local charter schools). For local charters, the district serves as the LEA, while state charters are required to be part of the LEA in the home district of the student requiring special education, even if the state board of education serves as authorizer. In either case, the charter school has a total link to the district LEA, and federal and state special education funds flow directly to the LEA, which is ultimately responsible for special education services. District-sponsored charter schools in Connecticut calculate per-pupil funding based on the district's budget calculation formula. Connecticut does not have a separate state special education funding formula—instead, funding to support special education is included in general funding levels. Connecticut law provides that for students with high-cost, low-incidence disabilities, the LEA must pay the charter an amount equal to the difference between the reasonable cost of educating the student (as calculated by statutory formula) and the amount of funding actually received by the charter on behalf of that student. These payments are made on a quarterly basis, meaning the charter school is responsible for up-front costs associated with educating these students, subject to later reimbursement. Charters may also apply for any additional state or federal grants or funding intended for special needs students (including high-cost, low-incidence students) that would be available to any other public school.

#### Special Education Law

**Conn. Gen. Stat. Ann. Ch. 164 §10-76b:** State supervision of special education programs and services; regulations; coordinating agency

**Conn. Gen. Stat. Ann. Ch. 164 § 10-76d:** Duties and powers of boards of education to provide special education programs and services; determination of eligibility for Medicaid; development of individualized education program; planning and placement team meetings; public agency placements, apportionment of costs; relationship of insurance to special education costs (funding formula)

**Conn. Gen. Stat. Ann. Ch. 164 § 10-76f:** Definition of terms used in formula for state aid for special education

**Conn. Gen. Stat. Ann. Ch. 164 § 10-76g:** State aid for special education

#### Charter School Statute

**Conn. Gen. Stat. Ann. Ch. 164 § 10-66aa:** Charter schools, definitions

**Conn. Gen. Stat. Ann. Ch. 164 § 10-66ee:** Charter school funding; special education students; transportation; contracts; cooperative arrangements

### DELAWARE

There are currently 18 charter schools operating in Delaware. Delaware allows two options for authorization—the local school board authorizes conversion charters, while new charters may apply to either the state board of education or the local school district. There is some ambiguity in Delaware law as to which entity serves as the actual LEA—the district or the charter itself. In practice, the charter school generally serves as the LEA in a no-link system, meaning 100 percent of federal, state, and local education dollars flow directly to the charter school. The state funds special education using a resource-based formula, and the law provides that charter schools are to be allocated both general and special education funds based on the same formula as other public schools. As their own LEAs, charter schools are responsible for providing special education for their students, and charters have access to a special support fund maintained by the state for students with high-cost, low-incidence disabilities. Charters may also contract with the local school district or private service providers to provide special education, or may decide to join a special education cooperative. Additionally, they may apply directly for any federal or state funding for children with disabilities that they are qualified to receive based on their student demographics.

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

### Special Education Law

- Del. Code Ann. tit. 14, § 1501: Support of free public schools
- Del. Code Ann. tit. 14, § 1502: Disbursements
- Del. Code Ann. tit. 14, § 1701: Amount to be appropriated by general assembly
- Del. Code Ann. tit. 14, § 1703: Unit of pupils (special education)
- Del. Code Ann. tit. 14, § 1707: Division III equalization funding

### Charter School Statute

- Del. Code Ann. tit. 14, § 503: Legal status
- Del. Code Ann. tit. 14, § 504A: Powers
- Del. Code Ann. tit. 14, § 509: School financing
- Del. Code Ann. tit. 14, § 510: State assistance

## FLORIDA

Currently, Florida has 625 operating charter schools. The local school board serves as the authorizer for most public charter schools, though there is an option for state universities to serve as authorizers for lab schools and community college district boards of trustees to serve as authorizers for career technical schools. Under Florida law, the school district serving as the authorizer is designated as the LEA, and the charter school is a member of that LEA in a partial-link relationship. Under this arrangement, the school is responsible for providing the services, and the district is responsible for overseeing them. Florida's special education funding formula is based on multiple student weights, and the per-pupil amount varies based on a student's needs, disability, type of placement, and so on. Federal, state, and district funds, including those designated for special education, flow through the LEA. Florida law provides that charters are to be funded in the same manner as traditional public schools, and are to receive the same proportion of federal, state, and district funding—including funding designated for special education—as any other public school. Charters are free to form cooperatives with other public charter schools with district approval in order to provide direct instruction services, but they may not contract with a for-profit service provider. Florida's weighted funding formula provides for an increased per-pupil allocation for students who have high-cost, low-incidence disabilities, and the LEA may apply for any additional state and federal categorical aid available for these students on behalf of any student within the LEA, including students enrolled in charter schools.

### Special Education Law

- Fla. Stat. Ann. § 1011.62: Funds for operation of schools
- Fla. Stat. Ann. § 1011.62-1: Computation of the basic amount to be included for operation (funding formula)

### Charter School Statute

- Fla. Stat. Ann. § 1002.33: Charter schools
- Fla. Stat. Ann. § 1002.33-9: Charter school requirements
- Fla. Stat. Ann. § 1002.33-11: Charter school cooperatives
- Fla. Stat. Ann. § 1002.33-17: Funding

## GEORGIA

Currently, Georgia has 110 operating charter schools. Georgia law allows for three different types of charter schools—conversions, new start-ups, and virtual schools. Georgia has multiple authorizing options for charters, allowing local school boards, a state charter school commission, and the state board of education to serve as authorizers. If the charter wishes to have a statewide attendance area, it applies directly to the commission for authorization, providing a copy of the application to the local school district within which the charter would be located. Charters seeking a finite service area apply directly to the local district in which they would propose to be located, and forward a copy of the application to the commission. In a district-authorized school, the district serves as the LEA and is responsible for providing special education services. For charters authorized by the state, the school is the LEA and is responsible for providing special education services.

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

Georgia's special education funding formula is based on multiple student weights, and per-pupil funding is determined based on a variety of characteristics, including disability, placement, and level of need. If a district LEA authorizes a charter, the charter and the LEA have a total-link relationship, and federal and state funds for special education flow directly to the LEA. The school district also maintains responsibility for providing special education services. If a charter is serving as its own LEA, however, there is no link with any local school district, and federal and state funds flow directly to the school. In those circumstances, the individual school is responsible for all special education services. For general funding, Georgia charters fall under the same seven-step school funding formula as other public schools, known as the Quality Basic Education formula (QBE). Within the structure of the QBE, LEAs may apply for additional federal and state categorical funding based on the needs of their student populations, including grants to offset the cost of educating students with high-cost, low-incidence disabilities.

### Special Education Law

**Ga. Code Ann. § 20-2-152:** Special education programs (funding formula)

**Ga. Code Ann. § 20-2-166:** Calculation of amount of state funds to be allocated to local school systems; distribution of funds

**Ga. Code Ann. § 20-2-161:** Quality Basic Education formula

**Ga. Code Ann. § 20-2-169:** Department of education designated as agency to receive federal funds; certain funds placed under control of state board of the Technical College System of Georgia

**Ga. Code Ann. § 20-2-250:** Awarding of grants

### Charter School Statute

**Ga. Code Ann. § 20-2-2068.1:** Allotment of state, local, and federal funds (funding formula)

**Ga. Code Ann. § 20-2-2082:** State charter schools commission

**Ga. Code Ann. § 20-2-2083:** Authority of commission

## HAWAII

Hawaii currently has 33 operating charter schools—it is also the only state with a single, statewide public school district. The Hawaii State Public Charter School Commission serves as the authorizer for all charter schools in the state. Charter schools are part of the statewide district, which serves as the LEA, in a partial-link relationship. Hawaii does not have separate special education funding, and instead finances special education out of the state's general fund. Under Hawaii law, the state department of education has the ultimate responsibility for providing special education, and the individual charters are responsible for providing the services in a student's IEP. If the school provides documentation as to why it cannot do so, the department must step in to verify this judgment and, if needed, to provide services by offering staff, funding, or both to the school based on a per-pupil weighted formula. This formula is used to allocate special education dollars to all public school students with disabilities and is based on the provisions of student IEPs. Hawaii utilizes a districtwide tracking system, which contains the provisions of each special education student's IEP. The information within the IEPs, including services needed, nature and severity of disability, and unique needs (such as transportation) that would generate additional expenses, are used to determine a per-pupil amount of funding for each student. This total is intended to cover the cost of educating the student and is distributed to the LEA. If this amount is insufficient to meet the student's needs, the LEA may submit documentation to the department of education as to why the school cannot implement the provisions of the student's IEP with the funds provided, at which point the department will evaluate whether additional funds, staff, or resources are needed. If so, the department will provide them to the school.

In Hawaii, there are no property taxes levied for education funds, and no constitutionally or legislatively prescribed means of allocating funds to public schools. Instead, all education funding from such state revenue sources as personal and corporate income tax, excise taxes, and special-use taxes are included in the state's general fund. Twice per year, the state legislature approves the state's educational expenditures for the six-month period based on funds available and the proposed budget submitted by the department of education. Charter schools in Hawaii are eligible for all federal financial support in the same manner as other public schools. Federal funds are received by

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

the state board of education, then distributed to the state charter school commission, and in turn are distributed to charter schools. For state funds, the state board of education determines a base amount of funding per pupil based on enrollment data. It then adopts a weighted student formula based on the recommendation of the committee on weights, taking into account the educational needs of each student, including such factors as economic disadvantage, transiency, English language learner, and so on. Students with these factors have additional funding added to their per-pupil allocation. When the amount per each pupil is set, the governor allocates the funds to the state department of education, which in turn allocates them to the individual schools (or for charters, the state charter commission, which distributes them to the individual charters). Under Hawaii law, charters do have some ability to negotiate with the state board of education for different per-pupil rates of funding than the rate set by the state board if they can demonstrate a unique need that results in a higher cost per pupil.

### Special Education Law

Haw. Rev. Stat. § 302A-1303.5: Committee on weights

Haw. Rev. Stat. § 302A-1303.6: Weighted student formula

Haw. Rev. Stat. § 302A-1401: Administration and use of federal funds, including early education

Haw. Rev. Stat. § 302A-1402: Custodian of federal funds

### Charter School Statute

Haw. Rev. Stat. § 302D-3: State public charter school commission; establishment; appointment

Haw. Rev. Stat. § 302D-5: Authorizer powers, duties, and liabilities

Haw. Rev. Stat. § 302D-25: Applicability of state laws

Haw. Rev. Stat. § 302D-28: Funding and finance

Haw. Rev. Stat. § 302D-29: Weighted student formula

Haw. Rev. Stat. § 302D-30: Responsibilities of the department; special education services

## IDAHO

There are 47 charter schools currently in operation in Idaho. Local school boards; the state charter school commission; state public colleges, universities, and community colleges; and certain private nonprofit colleges may authorize charter schools. If a charter is authorized by an entity other than a local school board, it is considered its own LEA and has a no-link relationship with the local school district. If a local district authorizes the charter, the charter becomes part of the district LEA in partial-link relationship. The LEA—whether the district or the charter school—is ultimately responsible for providing and funding special education services. Idaho’s state funding formula is census-based, meaning it is a fixed dollar amount based on average daily enrollment. If a district LEA authorizes a charter, federal special education funds flow through the LEA to the charter school. For those charters authorized by a state entity, however, federal funds flow directly to those schools because they are considered their own LEAs. State special education funding for charter schools is distributed using the same formula as that used by every other state public school with the funds flowing to the LEA, unless the charter is its own LEA. In that case, state funds flow directly to the charter acting as its own LEA, and the charter is responsible for providing special education services. Charters may contract with other districts and schools to help meet the needs of their student with disabilities, and may be eligible for additional state funding if they serve a high number of students with severe emotional disturbances. LEAs, whether they are a local school district or the charter school, may apply for additional state and federal categorical aid for which they qualify, including funds designed to offset the expense of serving students with high-cost, low-incidence disabilities. At this time, 15 charter schools in Idaho are authorized through the district LEA, and 32 are authorized through the Idaho Public Charter School Commission.

### Special Education Law

Idaho Code Ann. § 33-110: Agency to negotiate, and accept, federal assistance

Idaho Code Ann. § 33-111: Budget for educational institutions

Idaho Code Ann. § 33-117: Public school financial requirements

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**Idaho Code Ann. § 33-2002:** Responsibility of school districts for education of children with disabilities

**Idaho Code Ann. § 33-2004:** Contracting by approved form for education by another school district, approved rehabilitation center or hospital, or a corporation

**Idaho Code Ann. § 33-2005:** Additional disbursement

### Charter School Statute

**Idaho Code Ann. § 33-5203:** Authorization; limitations

**Idaho Code Ann. § 33-5208:** Public charter school financial support

## ILLINOIS

There are currently 66 charter schools operating in Illinois. The schools are authorized by either the local school district or the Illinois Charter School Commission. Charter applicants may apply to the charter school commission if they were denied by the local school district or if they wish to serve more than one currently existing school district. Even if one or both of these authorizers deny the charter school authorization, this denial can be overridden by a voter referendum. If the Illinois Charter School Commission grants the school's charter, the school is its own LEA and has a no-link relationship with any other LEA. If the charter is authorized through the local district, it becomes a part of the district LEA in a partial-link arrangement. Charter schools do not have the authority to tax locally, and most of their funding comes from state sources, though they are entitled to a proportionate share of the federal funding available to traditional public schools. Charter schools in Illinois may receive no less than 75 percent and no more than 125 percent of what other public schools receive in per-pupil funding, the amount of which is determined by state statutory formula. Illinois utilizes a combination funding formula for special education. For charter schools authorized through the district, federal and state special education dollars flow through the LEA, where they are then used to finance special education in individual schools (including charters) in proportionate shares (as outlined in the Illinois Charter School Act) based on how many students registered to attend the school qualify for special education. If the charter is its own LEA, the state board pays directly to the charter any federal or state special education funds to which any other public school would be entitled. Charters are also eligible to apply for any state or federal grant or additional categorical funding for which they qualify, including funds designed to offset the expense of educating students with high-cost, low-incidence disabilities.

### Special Education Law

**105 Ill. Comp. Stat. 5/14-7.02b:** Funding for children requiring special education services

**105 Ill. Comp. Stat. 5/14-12.01:** Account of expenditures; cost report; reimbursement

**105 Ill. Comp. Stat. 5/14-14.01:** Warrants for reimbursement

### Charter School Statute

**105 Ill. Comp. Stat. 5/27A-5:** Charter school; legal entity; requirements (amended by 2014 Ill. Legis. Serv. P.A. 98-1059 [H.B. 3937])

**105 Ill. Comp. Stat. 5/27A-11:** Local financing

**105 Ill. Comp. Stat. 5/27A-11.5:** State financing

## INDIANA

There are currently 75 charter schools operating in Indiana. Local school boards are the primary authorizers, but four-year universities, the mayor of Indianapolis, a state charter board, and a nonprofit college or university that issues bachelors' degrees are also permitted to authorize charters. In Indiana, charters are designated LEAs and have a no-link relationship to any other LEA. Indiana calculates the amount of funding each district should be allotted based on a foundation level, which is individually determined for each district using a statutory formula and is intended to ensure minimum adequate funding. Once this base level has been established, the state adjusts the amount based on two calculations—the Foundation Grant, which adjusts for actual enrollment and student socioeconomic status, and the Variable Grant, which adjusts the calculations from the previous year for the actual enrollment for the current year. Charter schools are funded using the same formula, though charters receive a

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

higher proportion of state funds because they are unable to utilize local revenue in the form of taxes. Indiana's special education funding formula is based on multiple student weights. Each year, charters submit a count of student with a disabilities enrolled at the school, what their disabilities are, and what services they need. The state board of education then verifies the charter school's count and sends any applicable federal and state funds directly to the charter. While Indiana law indicates that charters should receive comparable (though not identical) funding as that provided to traditional public schools, charters are somewhat disadvantaged given that they do not receive local tax revenue and do not have access to local capital funds. As LEAs, charters may apply directly for any additional federal or state grants or categorical funding intended for students with high-cost, low-incidence disabilities. Charters are free to contract with the school district or other service providers or to enter a cooperative in order to provide special education services.

### Special Education Law

**Ind. Code § 20-35-4-1:** School corporations; powers and duties regarding instruction of children with disabilities; funding; teachers and paraprofessional personnel

**Ind. Code § 20-35-4-8:** Mandatory and optional special education facilities

**Ind. Code § 20-35-4-10:** Comprehensive plan of special education for children with disabilities

**Ind. Code § 20-35-5-2:** Agreement forming cooperative; requirements

**Ind. Code § 20-35-5-5:** Agreement forming cooperative; funding

**Ind. Code § 20-35-5-6:** Agreement forming cooperative; funding; formulas

**Ind. Code § 20-35-6-2:** Contracts for services; payment of costs; adoption of rules

### Charter School Statute

**Ind. Code § 20-24-2.1-2:** Duties, charter school board

**Ind. Code § 20-24-7-2:** Submission of information; distribution of state tuition support

**Ind. Code § 20-24-7-3:** Proportionate share of local funds for conversion charter schools

**Ind. Code § 20-24-7-4:** Cost of services provided to charter schools

**Ind. Code § 20-24-7-5:** Grants and private funds

**Ind. Code § 20-24-7-10:** Eligibility for federal funds; distribution of grants; reports

**Ind. Code § 20-24-7-11:** State matching funds; facilities incentive grants program

**Ind. Code § 20-24-7-13.5:** State and federal funding

## IOWA

Iowa currently has three operating charter schools. Charter applicants must first be approved by their local school district, then by the state board of education. Once approved by the state board of education, the district in which the charter will be located serves as its authorizer. Iowa does not permit multischool charters and caps the number of charters per district at one. By law, charters in Iowa must be a part of the local school district LEA and have a partial-link relationship to the district. While the district bears the overall responsibility for providing and funding special education, the charter is required to comply with all provisions of federal special education law that would apply to traditional public schools. Charters are responsible for complying with a child's IEP and service plan, with assistance and cooperation from the area education agency if needed to provide resources, training, or staff. Iowa's special education funding formula is based on multiple student weights and varies based on disability, type of placement, and services required. Students are classified into one of three levels based on these factors. Each student in a public school is classified at 1.0, meaning the school receives the base level of per-pupil funding for that student, as calculated by statutory formula. Special education students classified as Level I receive additional funds totaling 0.72 multiplied by the standard per-pupil allocation, which is added to their per-pupil funding amount. Students at Level II receive an additional 1.2 multiplied by the standard per-pupil allocation, and students at Level III—who are generally students with high-cost, low-incidence disabilities; severe disabilities; or multiple disabilities—receive an additional 2.74 multiplied by the standard per-pupil allocation. All applicable federal and state special education funding follows the eligible child to his or her district, and funding then flows to the district LEA for special education students within the district, including those in charter schools. Parts of both the federal and state



## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

funding also go through an area education agency, which is responsible for providing special education to the students within its service area, as well as support and technical assistance to schools.

### Special Education Law

- Iowa Code Ann. § 256B.2: Definitions; policies; funds (special education)
- Iowa Code Ann. § 256B.3: Powers and duties of division of special education
- Iowa Code Ann. § 256B.9: Weighting plan; audits; evaluations; expenditures
- Iowa Code Ann. § 256B.15: Reimbursement for special education services
- Iowa Code Ann. § 257.1: State school foundation program; state aid
- Iowa Code Ann. § 257.8: State percentage of growth; supplemental state aid
- Iowa Code Ann. § 257.9: State cost per pupil
- Iowa Code Ann. § 257.10: District cost per pupil; district cost
- Iowa Code Ann. § 257.35: Area education agency payments
- Iowa Code Ann. § 257.36: Special education support services balances
- Iowa Code Ann. § 257.50: Federal assistance; school district responsibilities

### Charter School Statute

- Iowa Code Ann. § 256F.1: Authorization and purpose
- Iowa Code Ann. § 256F.2: Definitions
- Iowa Code Ann. § 256F.4: General operating requirements

## KANSAS

There are presently 11 charter schools operating in the state of Kansas. To be authorized, a charter must apply first to the local school district and then to the state board of education. Once approved by the board of education, the district in which the charter will be located becomes the authorizer. Charters have a total-link relationship to their district LEA, and the district is responsible for providing special education services. Federal and state funds for general education flow through the district and are based on a statutory formula, which considers enrollment, district size, and student characteristics. Once a base funding amount has been established, the state determines how much the district will receive in local and federal revenue, then allocates aid to each district to cover the difference between total local and federal aid and the minimum “base amount” of funding per student. This is accomplished mainly through the use of three state funds: the Base State Aid Per Pupil Fund, the Property Tax Equalization Fund, and the Supplemental Equalization Fund. This formula applies to charters within the district LEA. Kansas’ special education funding formula is resource-based, meaning that the amount of funding allocated is based on standardized, accepted costs of services provided rather than on student factors. Federal and state funds flow directly to the district LEA and remain there—no funds flow to the charter because the district is responsible for providing all special education services. Consequently, the district LEA is responsible for applying for any available state or federal categorical aid intended to offset the expense of educating students with high-cost, low-incidence disabilities within the district, including those students enrolled in charter schools.

### Special Education Law

- Kan. Stat. Ann. § 72-965: State and federal funds; distribution and allocation; payments; grants and contributions; early intervening services; unencumbered balance in fund
- Kan. Stat. Ann. § 72-978: Special education state aid; computation of amounts; apportionment; limitations
- Kan. Stat. Ann. § 72-979: Manner of payments determined by state board; disposition; overpayments; underpayments; forms; reports
- Kan. Stat. Ann. § 72-983: Catastrophic state aid; computation of amounts; apportionment; limitations

### Charter School Statute

- Kan. Stat. Ann. § 72-1903: Intention of act; charter school defined
- Kan. Stat. Ann. § 72-1904: Authorization to establish; purposes

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**Kan. Stat. Ann. § 72-1906:** Petition for establishment; design and contents; receipt, review, and screening; preparation and submission; charter elements and requirements; public hearing; duties of state board; approval or disapproval of petition; waiver of policies, rules and regulations

### LOUISIANA

Louisiana currently has 117 operating charter schools. As of fall 2014, 100 percent of the 58 public schools in New Orleans were charter schools. Under Louisiana law, local school boards, the state board of education, and local charter authorizing organizations may all serve as authorizers. Authorizers may charge a fee (capped at 2 percent of the per-pupil cost for each school) for administrative expenses. No more than five local authorizing agencies may operate in any particular region. The charter schools in the state are divided into five major types depending on their status as a new start-up or conversion, and those types are further subdivided based on other school characteristics.

Charters are funded in the same manner that traditional public schools in the state are funded—using a three-tiered system known as the Minimum Foundation Program. Level I determines the base amount of per-pupil funding, and the percentages of that figure that are to originate from state and local funding, respectively. This level also provides additional funding weights for certain students considered at risk or whose costs of education are deemed higher, including special education students, low-income students, gifted students, and vocational students. The amount of additional funding allocated by these weights is determined by multiplying a statutorily designated weight amount (1.22 for low-income students, 1.6 for gifted students, 1.06 for vocational students, and 2.5 for special education students) by the base amount per pupil, then adding the additional funding to the base amount to determine how much the school should be reimbursed for the student. Level II rewards schools that meet their funding goals by providing additional state funding, and Level III provides funding for employee salaries and pay raises, as well as for the hiring of such specialized staff members as foreign language teachers.

A charter's legal status is determined by its type: Type 1B, Type 2, and Type 5 charters are considered to be their own LEAs, are responsible for special education within their schools, and have no link to any other LEA. For all other Type 1 schools, and for Type 3 or Type 4 schools, the local school board is the designated LEA, and that charter and school board have a partial-link relationship. Type 5 schools, if they convert to a Type 3B school, still have the option of maintaining their independent LEA status. The state special education funding formula is based on a single student weight (2.5 multiplied by the base amount of per-pupil funding). For those schools that act as their own LEAs, the school receives a per-pupil share of federal, state, and local funding based on the number of students enrolled between Feb. 1 and Oct. 1 and the single applicable weights applied to each.

Charter schools are also eligible for additional state funding for students with high-cost, low-incidence disabilities, either directly if they act as their own LEAs, or through the district if they are part of the school board LEA. Under Louisiana law, charter schools may contract with service providers or other schools in a cooperative to help provide special education services, provided they detail their plans to do so in the charter document. In spring 2014, the Recovery School District introduced a progressive new funding formula wherein schools now receive state special education funding based on the severity of a student's disability (as opposed to the same amount per special education student regardless of the severity of his or her disability) and the number of hours of services he or she receives. The weighted formula identifies five potential levels of funding based on these two factors.

#### Special Education Law

**La. Rev. Stat. Ann. 17 § 1944:** Local education agency; responsibilities

**La. Rev. Stat. Ann. § 1945:** Special schools and school districts

**La. Rev. Stat. Ann § 1947:** Funding (amended by 2014 La. Sess. Law Serv. Act 811 [H.B. 63])

#### Charter School Statute

**La. Rev. Stat. Ann 17 § 3981:** State board of elementary and secondary education; powers and duties relative to charter schools

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**La. Rev. Stat. Ann 17 § 3981.1:** State board; powers and duties relative to local charter authorizers

**La. Rev. Stat. Ann 17 § 3995:** Charter school funding

### MAINE

The state of Maine currently has five operating charter schools and allows for a variety of authorization options. Any local school board or group of school boards may apply to become an authorizer and accept charter applications, and charters may also apply to the state charter schools commission. Maine law allows for new start-up charters, conversion charters, and virtual charters, but only the state charter schools commission may approve virtual charter schools. Virtual schools are permitted to contract for educational services, including special education, but nonvirtual schools may do so only through their governing board. The charter's LEA status depends on how it was authorized: If it was authorized through the local school district, it is part of the district LEA in a total-link relationship, and the district holds the ultimate responsibility for special education. In this situation, special education funds flow to the district, which is then responsible for paying for, contracting for, and arranging for special education for the students served by the district, including those in charter schools. If the state charter schools commission approves the charter, the charter is the LEA but has a partial link to the district in which it resides. In the partial-link system, the district is required to send federal or state aid applicable to a student with a disability to the charter school in proportion with the services the charter provides—directly or indirectly—to the student. Additionally, the local funding that makes up a percentage of the minimum per-pupil allotment (known as the Essential Programs and Services amount) follows students to the charter school, whether they are general or special education students. Charters approved by the state charter schools commission are responsible for providing special education services to their students.

Maine's special education funding formula is based on a single student weight, and the additional amount per special education student is calculated by multiplying a fixed weight amount for every special education student by the per-pupil allocation, then adding the additional funding to the student's per-pupil allocation. Additional allocations for students with high-cost, low-incidence disabilities are paid to the charter directly by the state board of education. Generally, funds follow the student whether they attend a charter school or a traditional school, but districts are permitted to retain up to 1 percent of per-pupil funding to cover administrative expenses.

#### Special Education Law

**20-A M.R.S.A. § 7006:** Responsibility

**20-A M.R.S.A. § 7251-A:** Local special education services; related services

**20-A M.R.S.A. § 7301:** State aid

**20-A M.R.S.A. § 15401:** Administration of federal aid

**20-A M.R.S.A. § 15753:** Mandated legislative appropriations for special education

#### Charter School Statute

**20 A.M.R.S.A. § 2405:** Authorizers

**20 A.M.R.S.A. § 2412:** Operations

**20-A M.R.S.A. § 2413:** Funding

### MARYLAND

Maryland currently has 52 operating charter schools. In most cases, the local school board is the only authorizer available; however, in very limited circumstances, the state board of education may be permitted to authorize a charter school that is in the process of restructuring itself if it will continue to operate as a charter school after the restructuring. Currently, all of the charter schools in Maryland are authorized by local school districts and are part of the district LEA within a partial-link relationship. The LEA is responsible for providing special education to all students in the district, including those attending charter schools. All funds, including general and special education, flow through the LEA, which is required to disperse a commensurate amount of federal, state, and local funds to the charter as those dispersed to traditional public schools in the previous year. Maryland's special

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

education funding formula is a combination approach and is based on enrollment, characteristics of students, types of services needed, and severity and extent of disability, all of which are factored into calculating a per-pupil amount. Maryland law makes no provision for charter schools' ability to contract for special education services, though in practice they have generally been permitted to do so in the same manner as traditional public schools. Because the district is responsible for special education, it would also fall to the district to apply for any additional state or federal categorical aid intended to offset the expense of educating students with high-cost, low-incidence disabilities on behalf of any student in the district—including those in charter schools—who qualified.

### Special Education Law

**Md. Code Ann., Educ. § 8-414:** Funding levels

**Md. Code Ann., Educ. § 8-415:** Costs of educating children with disabilities collectively shared

### Charter School Statute

**Md. Code Ann., Educ. § 9-107:** Compliance with public policy initiatives, court orders, or federal improvement plans required

**Md. Code Ann., Educ. § 9-109:** Funding and surplus educational materials

## MASSACHUSETTS

There are 81 public charter schools currently operating in the state of Massachusetts, and state law provides for either new start-up or conversion charters, but not virtual charters. The state divides charters into two types—commonwealth charter schools, which are authorized by the State Board of Education, and Horace Mann-type charter schools, which are authorized by the state board but must also be approved by the local school committee and, in some cases, the local teacher's union. Horace Mann schools are part of the district LEA under a total-link relationship. Commonwealth schools are designated as their own LEAs and have a no-link relationship with the local districts. Commonwealth schools are responsible for providing special education to students who receive services in the school, but if a student requires a private placement, the financial responsibility for that placement falls to the district. State law permits a charter to contract for services but requires that a charter school wishing to expand its contract with a service provider submit a plan detailing its ability to manage the expanded contract without sacrificing educational quality.

The state's special education funding formula is census-based, meaning it is a fixed dollar amount based on total enrollment. For Horace Mann-type charter schools, the charter has some freedom to negotiate a budget with the local district LEA for the provision of special education services, and the district has the ultimate authority to approve the budget. Once a budget agreement has been reached, the district and the charter school draft a memorandum of understanding documenting its terms, and federal and state special education funds—which flow to the LEA—are distributed by the LEA to the charter in accordance with the agreed budget. Commonwealth charter schools—the most common type of charters in Massachusetts—charge "tuition" for students with disabilities to the residential LEA. The amount of this tuition is based on the average per-pupil cost of the LEA and incorporates federal, state, and local sources. While, for both types of schools, the district is responsible for the cost of students who require private placement, the LEA—whether district or charter—is also able to apply for additional federal and state funding intended to offset the expense of educating students with high-cost, low-incidence disabilities who remain in the district.

### Special Education Law

**Mass. Gen. Laws Ann. ch. 70, § 3:** Foundation budget; regulations; calculation of budget

**Mass. Gen. Laws Ann. ch. 70, § 8:** Districts' methods for allocating appropriated funds; under-performing districts; restrictions

**Mass. Gen. Laws Ann. ch. 70, § 13:** Allocation of funds

**Mass. Gen. Laws Ann. ch. 71B, § 5:** Costs or obligations; payment; budget

**Mass. Gen. Laws Ann. ch. 71B, § 5A:** Special education reimbursement program

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**Mass. Gen. Laws Ann. ch. 71B, § 5B:** Pooled risk program for extraordinary and unanticipated special education costs

**Mass. Gen. Laws Ann. ch. 71B, § 14:** Special needs programs; reimbursement of transportation costs

### **Charter School Statute**

**Mass. Gen. Laws Ann. ch. 71, § 89:** Commonwealth charter schools; Horace Mann charter schools; applications; enrollment; employees; funding

## MICHIGAN

There are currently 297 charter schools operating in the state of Michigan (referred to as “public school academies”). Michigan law allows for four different types of authorizers: local school boards, intermediate school boards, community colleges, and public state universities. All authorizers and approvals of charters are subject to review by the state board of education. Under Michigan law, charters authorized by local school districts are part of the district LEA and have a total-link relationship. Schools chartered by any entity other than the local school district function as an LEA and have no link to any other LEA. Under Michigan law, charters receive a basic foundation allowance per pupil from the state, and charters are usually eligible for the same categorical funding as are traditional public schools. In addition to this base amount per pupil, special education students are eligible for additional funding.

Michigan’s special education funding formula is a percentage reimbursement model. For total-link schools, state and federal special education funds flow to the LEA and are based on reimbursement of a percentage of allowable special education service costs. For no-link schools, these funds flow to the charter. Categorical funds from the states flow to the LEA—whether the district or the charter—and other state funds flow to the intermediate school district and are distributed among the schools within that intermediate school district, including charters. One of the duties of the intermediate school district is to provide funding for special education for students with high-cost, low-incidence disabilities within the district, including those attending charter schools. Charters are also eligible for state-designated federal IDEA Part B supplemental funding for high-cost, low-incidence students. Michigan law provides reimbursement for about 70 percent of approved transportation costs associated with special education, though it does not provide reimbursement for general student transportation costs.

### **Special Education Law**

**Mich. Comp. Laws Ann. § 388.1651a:** Allocations for reimbursement to districts and intermediate districts for special education programs

**Mich. Comp. Laws Ann. § 388.1651b:** Funding; compliance with rules

**Mich. Comp. Laws Ann. § 388.1651c:** Reimbursement for percentage of special education and special education transportation costs

**Mich. Comp. Laws Ann. § 388.1651d:** Federally funded special education programs; distribution; payment schedule

**Mich. Comp. Laws Ann. § 388.1652:** Special education programs and services; necessary costs; reimbursement

**Mich. Comp. Laws Ann. § 388.1653a:** Special education programs and services; reimbursement of total approved costs; limitation; costs of transportation; allocation

**Mich. Comp. Laws Ann. § 388.1656:** Reimbursement to intermediate districts levying millages for special education; limitation; distribution plan; computation; payments

**Mich. Comp. Laws Ann. § 388.1658:** Allocation of funds for special education transportation services

### **Charter School Statute**

**Mich. Comp. Laws Ann. § 380.501:** Powers of public school academies; definitions

**Mich. Comp. Laws Ann. § 380.503a:** Operation of public school academy by school district; levy of taxes; use of revenue or bonds

**Mich. Comp. Laws Ann. § 380.507:** Duties of authorizing bodies; powers; fiscal agent; termination or revocation, issuance, or reconstitution of contract

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

### MINNESOTA

The state of Minnesota currently has 149 charter schools in operation. There are a number of options for authorization, including local school boards, intermediate school boards, cooperatives, certain nonprofit organizations, private colleges, public postsecondary institutions, and single-purpose authorizers. At the state level, charter schools are funded somewhat differently than are traditional public schools, but the charters have the same access to general education revenue, special education revenue, start-up grants, building lease revenue, and certain other school district revenue. Charter schools are independent LEAs but are partially linked to the school district LEA only for purposes of funding high-cost, low-incidence students whose expenditures exceed allotted state and federal aid.

Minnesota's special education funding formula provides for percentage reimbursement of approved special education expenditures. Federal and state special education funding is paid directly to the charter, and if an individual student requires expenditures beyond what he or she is allotted through federal and state funds, Minnesota law permits the charter to bill the student's home school district for the difference. Of the amount billed to the district, the charter must cover 10 percent and the district must cover the rest. Charters schools in which at least 90 percent of the student population has a disability are eligible to receive accelerated state aid payments.

#### Special Education Law

**Minn. Stat. Ann. § 125A.75:** Special education programs; approval; aid payments; travel aid; litigation costs

**Minn. Stat. Ann. § 125A.76:** Special education revenue

**Minn. Stat. Ann. § 125A.78:** Alternative delivery aid adjustment

**Minn. Stat. Ann. § 125A.79:** Special education excess cost aid

**Minn. Stat. Ann. § 126C.05:** Definition of pupil units

**Minn. Stat. Ann. § 125A.11:** Special instructions for nonresident children

**Minn. Stat. Ann. § 126C.13:** General education aid

#### Charter School Statute

**Minn. Stat. Ann. § 124D.10:** Charter schools

**Minn. Stat. Ann. § 124D.11:** Revenue for a charter school

### MISSISSIPPI

The first cohort of charter schools in Mississippi is due to open in fall 2015. In 2013, Mississippi changed its charter school laws significantly, including clarifying provisions for special education. State law proscribes authorization procedures based on an A through F district performance rating. Applicants in D- or F-rated districts may apply directly to the Mississippi Charter School Authorizer Board, which then serves as the authorizer if the charter is approved. In districts with an A, B, or C performance rating, however, the charter school authorizer board may only authorize the charter if a majority of the local school board votes to endorse an existing application or initiate a new one. Once the local board approves, the state charter school authorizer board becomes the authorizer for these schools as well.

Special education funding in Mississippi is resource-based, and Mississippi law requires that charters act as their own LEAs, meaning the charter is responsible for providing special education services. Under Mississippi law, when the new charter schools become operational, applicable federal and state funding for special education reimbursement will be paid directly to the charter schools, and those payments will be made at the same time and in the same manner that payments are made to local school districts. Even though it is responsible for special education, a charter will be permitted to contract or negotiate arrangements with the local school district for special education services, or with other state-approved providers. This includes services for students with high-cost, low-incidence disabilities. As their own LEAs, charters may also apply for any additional federal or state funding for high-cost, low-incidence students that would be available to a school district.

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

### Special Education Law

Miss. Code Ann. § 37-22-7: Funding

Miss. Code Ann. § 37-23-149: Special education, special services fund created

Miss. Code Ann. § 37-23-150: Legislative intent; unfunded federal mandates

### Charter School Statute

Miss. Code Ann. § 37-28-11: Costs

Miss. Code Ann. § 37-28-39: Charter school requirements

Miss. Code Ann. § 37-28-41: Powers of charter school

Miss. Code Ann. § 37-28-55: Payments to charter school from state department of education

Miss. Code Ann. § 37-28-59: Use of funds

## MISSOURI

There are currently 38 charter schools in operation in Missouri. The state allows multiple types of authorizers, including the local school board in which the charter would be located; a special administrative board for the Kansas City and St. Louis school districts; a public college, university, community college, or vocational school whose primary campus is in Missouri; and the Missouri Public Charter Schools Commission. Districts that have lost their accreditation—generally due to low performance—are not permitted to serve as authorizers.

Missouri does not have separate special education funding—instead, special education funds are incorporated into the general fund. Missouri’s general funding formula has four steps: First, the district’s weighted average daily attendance is calculated by factoring the base amount per pupil plus additional allocations if a school has enough students who qualify, such as funding for low-income students, students who are English language learners, and special education students. Next, the state sets an adequacy target for average operating expenditures, and third, calculates a dollar value multiplier for districts whose cost of operations are higher. Finally, the formula factors in local effort, or the amount of local funds that districts contribute. Charters are funded using a very similar formula, but the main difference is LEA status. A charter school may elect to be either a member of a school district LEA in a partial-link relationship or its own LEA with no link to another LEA when it applies for authorization. For charters that are part of a district LEA, general and special education funds flow to the LEA. Missouri law provides that the LEA must distribute federal and state funds for students with disabilities to charter schools in proportion to the amounts distributed to other public schools within the LEA. Charters that are their own LEAs receive general and special education funds directly. Both types of schools are subject to up to a 1.5 percent administrative fee from authorizers. LEAs—whether districts or charter schools—may apply for additional federal and state categorical aid that is available for students with high-cost, low-incidence disabilities. Both types of charters may contract or join a cooperative in order to meet the special education needs of their students.

### Special Education Law

Mo. Rev Stat. § 163.011: Definitions; method of calculating state aid

Mo. Rev Stat. § 163.012: Average daily attendance and membership, how determined

Mo. Rev Stat. § 163.021: Eligibility for state aid, requirements; evaluation of correlation of rates and assessed valuation, report, calculation; further requirements; exception; operating levy less than performance levy, requirements

Mo. Rev Stat. § 163.031: State aid; amount, how determined; categorical add-on revenue, determination of amount; district apportionment, determination of; waiver of rules; deposits to teachers’ fund and incidental fund, when

Mo. Rev Stat. § 163.036: Estimates of weighted average daily attendance, authorized, how computed; summer school computation; error in computation between actual and estimated attendance, how corrected; use of assessed valuation for state aid; delinquency in payment of property tax, effect on assessment

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

### Charter School Statute

**Mo. Rev Stat. § 160.400:** Charter schools defined

**Mo. Rev Stat. § 160.415:** Distribution of state school aid for charter schools; contract with education service provider, additional requirements; charter school duties, responsibilities

## NEVADA

There are 34 charter schools currently in operation in Nevada. State law allows local school boards, the state public charter school authority, or a college or university within the state to serve as authorizers for public charters. Charters in Nevada are part of an LEA—either the state public charter school authority or a local school district—and have a partial-link relationship to the LEA. Nevada operates a resource-based funding formula and distributes dollars based on services required. Federal and state special education dollars flow through the LEA and are distributed in a proportionate share to the charter school based on the amount distributed to other public schools within the LEA. The state public charter school authority is responsible for distributing any available money from federal and state categorical grant programs to eligible charter schools, and the charter is responsible for applying for any such grants for which it may qualify. LEAs may apply for any additional federal or state categorical funding that is intended to offset the expense of educating students with high-cost, low-incidence disabilities. If, after review, the IEP team determines that the school is unable to provide a special education program or services to a student with a disability, the governing body may request that the superintendent in the county where the student resides transfer the student to a more appropriate school placement to ensure that he or she receives a Free appropriate public education. The superintendent may consult with the board of trustees in the student’s home district, but ultimately the decision-making authority of where to place the student rests with the superintendent.

### Special Education Law

**Nev. Rev. Stat. § 395.060:** Money to carry out provisions of charter

**Nev. Rev. Stat. § 387.047:** Money for pupils receiving special education: separate accounting by school districts and charter schools required

**Nev. Rev. Stat. § 388.450:** Provision of education to pupils with disabilities and gifted and talented pupils; authorization for certain school districts to provide early intervening services; uniform criteria for eligibility for instruction

**Nev. Rev. Stat. § 395.010:** Special education program and related services to be provided to person with disability

**Nev. Rev. Stat. § 395.030:** Application for benefits; action by board of trustees

**Nev. Rev. Stat. § 395.040:** Duties of superintendent of public instruction upon receipt of application

**Nev. Rev. Stat. § 395.060:** Money to carry out provisions of charter

### Charter School Statute

**Nev. Rev. Stat. § 386.513:** State public charter school authority deemed local education agency for certain purposes; payment of special education program units by department

**Nev. Rev. Stat. § 386.570:** Count of pupils for apportionment; deposit of money; payment of quarterly sponsorship fee to sponsor; request by charter school for reduction in sponsorship fee

## NEW HAMPSHIRE

There are currently 22 operating charter schools in the state of New Hampshire and two more were authorized and scheduled to open in fall 2015. Charters are primarily authorized through the state board of education, though there is a second option for charters to be authorized by a local school district with approval by the state board. Under New Hampshire law, charter schools are considered their own LEAs except for the purposes of special education. For special education, charter schools are considered part of the district LEA in a total-link relationship, and federal and state special education funding flows directly to the district LEA. New Hampshire allocates a fixed dollar amount (the “universal cost”) of state adequacy aid to all public schools, and some students generate additional funding (“differentiated aid”) based on such special characteristics as low-income, English language learner, or special education student. In addition to this base adequacy aid, which is fixed in statute at \$3,450 per



## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

pupil, charter schools are allocated an additional \$2,000 per student. Charter schools in New Hampshire do not have access to local funds and do not receive additional funds for facilities or transportation.

New Hampshire's state special education funding formula is based on a single student weight arrangement (i.e., \$1,856 per student with an IEP). For students attending charters, the LEA is required to either provide services or reimburse the charter school for costs associated with providing services for special education students. New Hampshire law does not specify how funding is to be addressed for high-cost, low-incidence disabilities, but it does specify that providing services to these students is the responsibility of the LEA of residence. LEAs are permitted to apply for any additional grant or categorical funding intended to offset the costs of educating students with high-cost, low-incidence disabilities.

### Special Education Law

N.H. Rev. Stat. Ann. § 186-C:12: Federal assistance

N.H. Rev. Stat. Ann. § 186-C:13: Liability for expenses

N.H. Rev. Stat. Ann. § 186-C:18: State aid

### Charter School Statute

N.H. Rev. Stat. Ann. § 194-B:11: Chartered public schools; funding

N.H. Rev. Stat. Ann. § 194-B:12: Chartered public schools; budgets

## NEW JERSEY

New Jersey currently has 87 operating charter schools, all of which are authorized by the New Jersey Department of Education. Under New Jersey law, the charter serves as the LEA in a partial-link system, and the school district in which the charter is located must pay the charter 90 percent of the per-pupil allotment and 100 percent of any federal aid for which an individual student qualifies. The New Jersey School Funding Reform Act, passed in 2008, updated the method of calculating both general and special education funding. A professional judgment panel is responsible for determining the base amount of per-pupil funding. Once this amount has been established, additional weights are applied based on students' grade levels and whether they have any special needs, such as low-income or English language learner. Finally, the state applies any adjustment aid for which a district qualifies. Adjustment aid is applied to any school that received a larger allocation under the previous funding structure and is now receiving a smaller one, to avoid penalizing any district with the new system. Charter schools are funded similarly, but they do not qualify for adjustment aid or transportation aid. However, the school's district of residence is required to provide transportation to charter school students, or to provide transportation funding directly to charter schools.

New Jersey's special education funding system is census-based—it counts all students in a given area and estimates special education needs by multiplying excess special education costs by a statewide classification rate. Under this system, charter schools are responsible for special education costs, except for students who require a private or residential placement. The cost of educating these students is the responsibility of the school district in which the charter is located. Under New Jersey law, charters may apply for any additional federal or state funding categorical funding for which they qualify, whether it is for special education or other characteristics or populations.

### Special Education Law

N.J. Stat. Ann. § 18A:7F-32: Adjustment of state aid calculation for change in composition or organization of district

N.J. Stat. Ann. § 18A:7F-48: Equalization aid; calculation for beginning in 2009-2010 school year

N.J. Stat. Ann. § 18A:7F-49: Base per-pupil amount; calculation; adjustments; grade-level weights

N.J. Stat. Ann. § 18A:7F-50: Weighted enrollment for each school district and county vocational school district; calculation

N.J. Stat. Ann. § 18A:7F-51: Adequacy budget; calculation

N.J. Stat. Ann. § 18A:7F-52: Equalization aid based on local share determination; property value rate and income value rate; adjustments

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

N.J. Stat. Ann. § 18A:7F-53: Equalization aid; calculation

N.J. Stat. Ann. § 18A:7F-55: Special education categorical aid; calculation; application for extraordinary special education aid for an individual pupil; emergency and additional aid

N.J. Stat. Ann. § 18A:7F-57: Transportation aid; calculation

N.J. Stat. Ann. § 18A:7F-58: Adjustment aid; educational adequacy aid

### Charter School Statute

N.J. Stat. Ann. § 18A:36A-6: Powers of charter school

N.J. Stat. Ann. § 18A:36A-11: Operating guidelines; compliance with certain state provisions required; exemptions

N.J. Stat. Ann. § 18A:36A-12: School district of residence to pay charter school for each resident student attending charter school; amount of payment

## NEW MEXICO

New Mexico currently has 95 operating charter schools. Both local school districts and the state's public education commission serve as authorizers for charters in the state. New Mexico's general school funding formula distributes funds to districts through three separate allotments: the State Equalization Guarantee Distribution, Transportation Distributions, and Supplemental Distributions. The amount of state funds allocated is determined using cost differentials. Students with certain needs are assigned to different "units," and funding is allocated based on the dollar amount attached to each unit multiplied by the number of students who are categorized in it. Under New Mexico law, charter schools are funded using the same system.

New Mexico's special education funding formula is based on multiple student weights, including the nature of a student's disability, the type of services required, and the placement the student requires. Schools authorized by the public education commission act as their own LEAs, and federal and state funds flow directly to those schools. Schools, which are authorized by a local district, are a part of the district LEA, and federal and state special education dollars flow through the district. Charters are permitted by state law to contract with the school district to provide special education services, and the law requires that districts provide those services at a reasonable rate. All authorizers are permitted by state law to withhold up to 2 percent of the school's per-pupil funding for administrative costs. Additional funding is available to LEAs serving students with high-cost, low-incidence disabilities, but New Mexico law does not specify whether charter schools' access to these funds is the same as or different from other public schools or other LEAs.

### Special Education Law

N.M. Stat. Ann. § 22-8-14: Public school fund

N.M. Stat. Ann. § 22-8-16: Payment to school districts

N.M. Stat. Ann. § 22-8-17: Program cost determination; required information

N.M. Stat. Ann. § 22-8-18: Program cost calculation; local responsibility

N.M. Stat. Ann. § 22-8-20: Basic program units

N.M. Stat. Ann. § 22-8-21: Special education program units

N.M. Stat. Ann. § 22-8-23.6: Charter school student activities program unit

N.M. Stat. Ann. § 22-8-25: State equalization guarantee distribution; definitions; determination of amount

N.M. Stat. Ann. § 22-8-25.1: Additional per-unit distribution from public school fund

N.M. Stat. Ann. § 22-8-26: Transportation distribution

N.M. Stat. Ann. § 22-8-29.4: Transportation distribution adjustment factor

N.M. Stat. Ann. § 22-8-30: Supplemental distributions

N.M. Stat. Ann. § 22-9-5: Custody of funds; budgets; disbursements (federal)

### Charter School Statute

N.M. Stat. Ann. § 22-8B-4: Charter schools' rights and responsibilities; operation

N.M. Stat. Ann. § 22-8B-5: Charter schools; status; local school board authority

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**N.M. Stat. Ann. § 22-8B-16:** Public education commission; powers and duties

**N.M. Stat. Ann. § 22-8B-13:** Charter school financing

**N.M. Stat. Ann. § 22-8-6.1:** Charter school budgets

### NEW YORK

There are 233 charter schools currently operating in the state of New York. Local school districts, the SUNY Charter Schools Institute, or the State Board of Regents may authorize charters with approval from the state department of education. Under New York law, charters are part of an LEA in a partial-link relationship, and the LEA of residence is responsible for establishing and overseeing special education for students in the district, including those in charter schools. Charter schools are responsible for implementing the provisions of a student's IEP but may do so in a number of ways, such as by providing services directly, contracting with the district or joining a cooperative, or hiring an independent service provider. Generally, federal education funds flow to the state board of education and then to the LEA, and state funds flow directly to the LEA. If a charter elects to provide special education services on its own or hire an outside entity, however, the LEA transfers funding accordingly to the charter. If the charter relies on the LEA to provide special education, those funds remain with the LEA.

New York's general school funding formula was updated in 2008. The new system assigns a foundation amount calculated by a foundation aid formula—which includes anticipated local funding—then calculates additional funding based on student characteristics, assigning a fixed weight to each characteristic. Finally, the system determines whether schools qualify for other forms of funding, such as transportation aid; technology aid; and assistance with additional costs for students with high-cost, low-incidence disabilities. Funding for charter schools varies based on the original district the student was attending before enrolling in the charter school. The original district is used to calculate the charter school basic tuition rate. The state then calculates the charter's approved operating expense—the total cost to operate each year—and divides that amount by the total aidable pupil units in the charter. The resulting figure is the amount per pupil allocated to the charter.

New York's special education funding formula for charters is based on multiple student weights, with a fixed dollar amount for each of the different levels of student need. Tier I students, who require special education less than 20 percent of the day, receive no extra funding because services are provided exclusively by the district LEA. Students who receive special education 20-59 percent of the day are allocated an additional \$10,390 per student, and students who require special education for 60 percent or more of the day are allocated an additional \$19,049 per student. For students with high-cost, low-incidence disabilities that exceed this allotment, the charter may bill the state's High-Cost Education Fund for the excess cost of educating the student.

#### Special Education Law

**N.Y. Educ. Law § 4402:** Duties of school districts

**N.Y. Educ. Law § 4403:** Duties of education department

**N.Y. Educ. Law § 4405:** Computing financial responsibility for special educational services for certain children with handicapping conditions

**N.Y. Educ. Law § 4407:** Special provisions relating to instruction of certain children with handicapping conditions

**N.Y. Educ. Law § 4410-b:** Use of certain federal funds

#### Charter School Statute

**N.Y. Educ. Law § 2853:** Charter school organization; oversight; facilities

**N.Y. Educ. Law § 2856:** Financing of charter schools

### NORTH CAROLINA

There are currently 127 charter schools operating in North Carolina. Charter applicants must be approved by the North Carolina Charter Schools Advisory Board, as well as by the North Carolina State Board of Education. Charter schools in North Carolina are LEAs with no link to any other LEA. North Carolina charters are funded in a completely

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

separate formula from the general school funding formula. Each charter is allotted by the board of education the same average per-pupil cost in state general education dollars as allotted to other public schools in the district where the charter is located. As a no-link LEA, charters apply for and receive all federal funding—for both general and special education—for which they qualify directly. Additionally, the local school district is required to pay the charter a per-pupil share of the local expense fund for the current year, and to provide an accounting of how this per-pupil amount was calculated so that charters can ensure they are receiving the appropriate amount of funding. North Carolina’s special education funding formula is based on a single student weight, and a separate, fixed per-pupil amount is calculated for special education students. State special education funds also flow directly to the charter from the state board of education. For students with high-cost, low-incidence disabilities whose educational expenses exceed the per-pupil allotment, a charter may apply for additional federal and state funds or categorical grants to offset the cost of providing services. Charters may also contract with the student’s residential district or other service providers to assist with providing special education

### Special Education Law

N.C. Gen. Stat. Ann. § 115C-111.2: Contracts with private service providers

N.C. Gen. Stat. Ann. § 115C-111.3: Cost of education of children in group homes, foster homes, etc.

N.C. Gen. Stat. Ann. § 115C-111.4: Nonreduction

N.C. Gen. Stat. Ann. § 115C-111.5: Allocation of federal funds

### Charter School Statute

N.C. Gen. Stat. Ann. § 115C-238.29E: Charter school operation

N.C. Gen. Stat. Ann. § 115C-238.29H: State and local funds for a charter school

## OHIO

Ohio currently has in operation 400 charter schools, which it refers to as “community schools.” Ohio law provides seven different authorization options for charters: the district where the charter will be located; any joint vocational school district, if the charter will be in part of the district; any city, local, or school district in the same county, if the charter will serve part of that county; any educational service center, if the charter will be located within its territory; a sponsoring authority dedicated by a state university, if the charter will serve as the university’s teaching site; any qualified educational nonprofit; and the Ohio Department of Education. Ohio law designates charters as no-link LEAs. Ohio’s charters are funded by providing the same per-pupil allocation of state and federal funds determined for other public schools in the district where the charter is located, plus additional allocations including those for special education, career-technical education, and low-income students. Charters do not have access to local funds, so while traditional LEAs are required to pay back a portion of state funds as determined by their property taxes, charters are exempt from this requirement and retain their full allocation of state dollars. The local school district is required to provide transportation to charter school students, though the charter may elect to handle its own transportation and be reimbursed by the state directly for doing so.

Ohio’s special education funding formula is based on multiple student weights, and charters as well as traditional public schools receive the same base amount per pupil, plus additional funding in a series of multiples that vary based on a student’s type of disability, services needed, and placement required. Charters are eligible to apply for additional federal and state categorical aid to provide services to students with high-cost, low-incidence disabilities whose educational expenses exceed their allotment under the multiple weight formula. Additionally, Ohio law requires a school district board of education or the board of an educational service center to negotiate with a charter, should it seek to contract with a local LEA for services, in the same way it would negotiate with a school district.

### Special Education Law

OH Rev Code § 3323.08: Plan of local school district; state reimbursement of costs

OH Rev Code § 3323.091: Programs in institutions; funding

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**OH Rev Code § 3323.012:** Community school considered school district

**OH Rev Code § 3323.14:** Excess cost payments

**OH Rev Code § 3323.021:** Contracts for services to disabled children

**OH Rev Code § 3323.32:** Program administration and service coordination, autism and low-incidence disabilities

**OH Rev Code § 3323.142:** Per-pupil amount defined; excess tuition costs responsibility; payments for additional services

### **Charter School Statute (Note that they are referred to in state statutes as “community schools”)**

**OH Rev Code § 3314.022:** Community school governing authority may contract for disability services

**OH Rev Code:** Deductions in state aid to other schools; funding procedures; limitation on taxes, bonds, tuition, and loans; review

**OH Rev Code § 3314.081:** Inclusion of community schools in allocation of federal moneys

**OH Rev Code § 3314.082:** Community school to be considered school district; governing authority to be considered board of education; grant applications

**OH Rev Code § 3314.083:** Deduction for excess costs of providing special education and related services for student with disability enrolled in community school

**OH Rev Code § 3314.09:** Transportation services

**OH Rev Code § 3314.091:** Transportation agreement with governing authority of community school

**OH Rev Code § 3314.12:** Report of special education and related services; expenditures

## OKLAHOMA

There are 25 charter schools currently in operation in Oklahoma. Oklahoma law allows a variety of charter authorizers, including local school districts; members of the Oklahoma State System of Higher Education; federally recognized Native American tribes, for schools located on reservations; the State Board of Education, when the office of juvenile affairs is the applicant; and the statewide virtual charter board. Oklahoma law designates that charter schools are LEAs, and most have no link to any other LEA. Charters that are authorized by a district may be part of the district LEA in a partial-link relationship for the limited purpose of providing special education.

Oklahoma’s special education funding formula is based on multiple student weights, and charter schools are allocated the same base per-pupil amount as traditional public schools in the district where the charter is located. The school then receives allocations calculated by multiples of the per-pupil amount, which vary based on a student’s disability, services needed, and placement required. Federal special education funds flow through the state board of education directly to the charter. State funds, however, go through the charter authorizer, who may withhold up to 5 percent of the state per-pupil aid for administrative fees. Charters are permitted to contract with local school districts and other service providers to secure special education services for their students. Additionally, they may apply for any federal or state funding or grants for which they qualify to offset the cost of educating students with high-cost, low-incidence disabilities if the expense of educating these students exceeds their weighted per-pupil allocation.

### **Special Education Law**

**Okla. Stat. tit. 70, § 13-101:** Special education and related services for children with disabilities; cooperative programs; funding; duty to provide special services

**Okla. Stat. tit. 70, § 13-106:** State appropriations; apportionment

**Okla. Stat. tit. 70, § 13-107:** Federal funds; acceptance by state board of education

**Okla. Stat. tit. 70, § 13-108:** State funds; allowances for children with disabilities

**Okla. Stat. tit. 70, § 13-114.1:** Oklahoma Special Education Assistance Fund; creation; status; expenditures

**Okla. Stat. tit. 70, § 13-114.2:** Oklahoma Special Education Assistance Fund; eligibility rules and regulations; application for funds; funding determination; reevaluation of funding

**Okla. Stat. tit. 70, § 13-114.3:** Oklahoma Special Education Assistance Fund; defraying costs of serving children who resided at Hissom Memorial Center; funding other services; determination of home district

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**Okla. Stat. tit. 70, § 13-114.4:** Oklahoma Special Education Assistance Fund; distribution of funds; amount of payments

### Charter School Statute

**Okla. Stat. tit. 70, § 3-140:** Student eligibility; districts; preferences; discrimination

**Okla. Stat. tit. [x], § 3-141:** Transportation

**Okla. Stat. tit. 70, § 3-142:** Funding

**Okla. Stat. tit. 70, § 3-144:** Charter schools incentive fund

**Okla. Stat. tit. 70, § 3-145.3:** Powers and duties

## OREGON

There are currently 144 charter schools operating in the state of Oregon. Oregon law permits only the local school district to serve as an authorizer, though it does have a provision for appeal to the state board of education or to a higher education institution if a charter petition is denied. Whichever organization approves the application becomes the authorizer (currently all of the charter schools in Oregon are authorized by local school districts). Oregon law provides that charters are a part of the district LEA that authorized them in a total-link relationship. Oregon charters are funded in a similar formula to that used for traditional public schools. For charters, the state combines the charter's weighted ADM with that of the district LEA, and funds are provided to the district to be distributed to the charter. Charters are presumed to have the same poverty percentage as the district, so their weighted ADM is calculated using the same poverty rate. Charters authorized by a district negotiate the percentage of funding they will receive per pupil from the district's general purpose fund allocation (between 80 percent and 95 percent). If the state board of education or a higher education institution authorizes a charter, however, the district of residence must pay the charter a non-negotiable 90 percent for K-8 students and 95 percent for students in grades 9-12. In both cases, districts retain the differences for administrative fees and costs. Additionally, district LEAs are responsible for distributing to the charter school an equitable portion of the federal funds the district receives through the state board of education.

Oregon's special education funding formula is based on a single student weight. Federal and state special education funds flow through the district, which is responsible for providing special education to charter school students. The district retains just over 50 percent of federal and state special education dollars, 5 percent goes to the sponsoring agency, and the charter is entitled to at least 40 percent. Districts may apply for specific state or federal grants for any student in the district—including those who attend charter schools—and may apply for additional allocations for students with high-cost, low-incidence disabilities.

### Special Education Law

**Or. Rev. Stat. § 343.221:** Annual projected activities and cost statement; contracts for services

**Or. Rev. Stat. § 343.236:** Local, county, or regional programs; eligibility criteria and educational standards; funding

**Or. Rev. Stat. § 343.239:** Billing of school districts

**Or. Rev. Stat. § 343.243:** Recovery from state school fund

**Or. Rev. Stat. § 343.247:** Special education account

**Or. Rev. Stat. § 343.285:** State funds used to match federal funds

### Charter School Statute

**Or. Rev. Stat. § 338.095:** Financial management system; annual report; visit; audit

**Or. Rev. Stat. § 338.145:** Responsibility for student transportation; cost of services

**Or. Rev. Stat. § 338.155:** Residency of students; determination of amounts; minimum required amount; grants available

**Or. Rev. Stat. § 338.157:** Adjusting for number of poverty-level students

**Or. Rev. Stat. § 338.165:** Students requiring special education; payment for services

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

### PENNSYLVANIA

There are presently 176 charter schools in operation in Pennsylvania. State law allows local school boards; two or more local school boards, for regional charters; and the state department of education, for virtual charters, to serve as authorizers for charter schools. Under Pennsylvania law, charter schools are LEAs, but they nonetheless maintain a partial link to the local school district because they receive their funding through the local school district. Charter schools receive state funding using a three-step formula: Begin with the district's previous fiscal year budgeting expenditures, subtract up to 21 approved deductions, and divide by either the ADM or the number of students in the district. This amount equals the per-pupil amount received by charter schools.

Pennsylvania's special education funding formula is also census-based, and funds are distributed based on the average per-pupil expenditure for special education students in the previous year, assuming an average of 16 percent of students in a given district are eligible for special education. State funds flow from the state board of education to the district of residence, which then distributes funds to the charter. Federal special education dollars are received by the Pennsylvania Department of Education and distributed to the state LEAs, then to 29 intermediate units based on the federal formula found at 34 C.F.R. § 300.705 (2008). Finally, funds are distributed to the districts and charter schools in the same manner based on a count of students with disabilities. Funds follow the student to any school he or she attends, including a charter school. Pennsylvania law permits a charter to request assistance from the intermediate unit to provide services to the student on a fee-for-service basis, and the services are to be provided at a cost no greater than they would be for a student of a traditional school within the district. Additionally, the state has established a contingency fund from which both school districts and charters may apply for funding for exceptional circumstances or high-cost services. Charters are also permitted to contract with the local school district or with other service providers to provide special education to enrolled students.

#### Special Education Law

24 P.S. § 1-122: Special education funding commission

24 P.S. § 13-1373: State reimbursement; reports

24 P.S. § 13-1376: Cost of tuition and maintenance of certain exceptional children in approved institutions

24 P.S. § 25-2502.52: Basic education funding for 2012-2013 school year

24 P.S. § 25-2509.4: Payments on account of special education services

24 P.S. § 25-2509.5: Special education payments to school districts

24 P.S. § 25-2509.6: Average cost guarantee

24 P.S. § 25-2509.7: Minimum guarantee

24 P.S. § 25-2509.8: Extraordinary special education program expenses

24 P.S. § 25-2509.12: Special education community support services

24 P.S. § 25-2509.13: Special education funding for student achievement and instruction of eligible students

24 P.S. § 25-2509.15: Special education accountability

24 P.S. § 25-2517: Payments

#### Charter School Statute

24 P.S. § 17-1725-A: Funding for charter schools

24 P.S. § 17-1726-A: Transportation

24 P.S. § 17-1732-A: Provisions applicable to charter schools

### RHODE ISLAND

There are currently 19 charter schools operating in the state of Rhode Island. Rhode Island law requires that charters get approval from the local school board, then apply to the state board of education, which is the only authorizer in the state. Charter schools are considered independent LEAs and have no link to any other LEA, meaning they are responsible for providing special education to their students.

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

Rhode Island does not have a separate special education funding formula—funding for special education is instead paid out, along with other education costs, from the general fund. Federal funds are received by the state board of education and paid directly to the charter, and charters are responsible for applying for and receiving all federal aid—general and special education—for which they are qualified. State funding is determined based on the average per-pupil amount of other schools in the district where the charter is located. The school district is responsible for paying the charter its share of the local funds that make up the per-pupil amount, and for reporting the amount of local funding to the state. The state calculates what percentage of state funds goes into the per-pupil amount for students in that district, then forwards the funds to cover the difference between the charter’s share of local funds and the total per-pupil allocation to the district. The district is then responsible for paying the charter its per-pupil allocation, minus up to 5 percent for administrative costs. As LEAs, charters may apply for additional federal or state funding or grants for low-income students with disabilities—as well as for students with high-cost, low-incidence disabilities—to offset the cost of educating these students. Charters may contract with the school district or other service providers or join a cooperative in order to provide special education services, but they are not required to do so.

### Special Education Law

R.I. Gen Laws § 16-3.1-2: Agreements

R.I. Gen. Laws § 16-3.1-7: Newport County regional special education program

R.I. Gen. Laws § 16-7-20: Determination of state’s share

R.I. Gen Laws § 16-7-20.1: Annual report of number of children with disabilities receiving support

R.I. Gen. Laws § 16-7-34.2: Appropriation of funds for education of children with disabilities

R.I. Gen. Laws § 16-8-14: Federal aid funds; custody; disbursement

R.I. Gen. Laws § 16-24-6: Special education fund; allocations to communities

### Charter School Statute

R.I. Gen. Laws § 16-77.1-2: Operating costs

R.I. Gen. Laws § 16-77.1-3: Federal funds for charter public schools start-up costs

R.I. Gen. Laws § 16-77.1-4: State funds for charter public schools start-up costs

R.I. Gen Laws § 16-77.2-5: Budgets and funding (district charter school)

R.I. Gen Laws § 16-77.3-5: Budgets and funding (independent charter school)

## SOUTH CAROLINA

There are currently 59 charter schools in the state of South Carolina. South Carolina law dictates three options for charter school authorization: the local school district, the South Carolina Public Charter School District, or a public or independent institution of higher education. Before it may be authorized through any of these options, the charter school must seek preliminary approval from the state charter school advisory committee to determine compliance with all necessary components of a charter petition. South Carolina law provides that the charter school’s authorizer is its LEA, and the charter and LEA have a partial-link relationship.

South Carolina’s special education funding formula is based on multiple student weights, and the additional dollar amount allocated per pupil varies based on such factors as the student’s disability, resources needed, and placement required. Charter schools authorized by a local district receive 100 percent of the federal, state, and local funds generated by their students (for both general and special education), and the district is not permitted to withhold administrative fees. For charters authorized by the South Carolina Public Charter School District, federal and state special education funds flow to the LEA first, but 100 percent of the funds then flow to the charter. Charters authorized by the South Carolina Public Charter School District receive state and federal funds based on enrollment, but they do not receive any local funds. Sponsors are required to distribute funds promptly to the charter schools in the LEA and can be fined if they fail to do so in a timely manner. The LEA is responsible for providing special



## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

education to all students within the LEA, including those in charter schools. The LEA may also apply for any additional state or federal categorical funding or aid intended to offset the expense of providing special education for students with high-cost, low-incidence disabilities.

### Special Education Law

S.C. Code Ann. § 59-21-540: Special educational services for which state aid allowed

S.C. Code Ann. § 59-21-560: Annual surveys and determination of eligibility for special education services by local school authorities

S.C. Code Ann. § 59-21-570: Districts may operate programs singly or jointly; eligibility of district for state aid

S.C. Code Ann. § 59-21-600: Distribution of funds for educational services to mentally handicapped pupils

S.C. Code Ann. § 59-33-50: Establishment and operation of programs by school districts; contracts between districts; special arrangements for multiple-handicapped children

### Charter School Statute

S.C. Code Ann. § 59-40-140: Funds; services; reports (amended by: 2014 South Carolina Laws Act 208 [H.B. 4871])

## TENNESSEE

There are currently 71 charter schools operating in the state of Tennessee. Local school districts or the state board of education may authorize charters if the application is sponsored by the local school district. Tennessee also operates a statewide district, the Achievement School District (ASD), to turn around chronically underperforming schools, and the ASD serves as an authorizer. The district in which a charter is located is its LEA, and the charter and district have a partial-link relationship. The exception is those charters authorized by the ASD, which have a partial-link relationship with the ASD, which serves as the LEA as opposed to the district in which the charters are located. In both cases, the LEA has the primary responsibility of providing special education and related services. Tennessee distributes state and local education funding through a basic education program (BEP) formula, which funds positions (such as principal or teacher) and assigns each position a number of students whose funding it is intended to cover based on a prescribed staff-to-student ratio.

The state's special education funding formula is also resource-based, and the positions that it funds have adjusted staff-to-student ratios depending on the nature of students' disabilities and needed resources. Federal and state funds flow from the district LEA, and Tennessee law provides that charters must receive 100 percent of the funding generated through the BEP system, with no deduction for administrative costs. Tennessee law is unclear as to the procedure for applying for additional state or federal funding for students with high-cost, low-incidence disabilities, but because the LEA holds primary responsibility for special education, the LEA is likely also responsible for applying for additional categorical funding for these students.

### Special Education Law

Tenn. Code Ann. § 49-3-314: Distribution of state funds

Tenn. Code Ann. § 49-3-315: Local funds; levy and apportionment; distribution of state funds

Tenn. Code Ann. § 49-3-351: Basic education program; funds

Tenn. Code Ann. § 49-10-112: Federal funds

Tenn. Code Ann. § 49-10-113: State funds

Tenn. Code Ann. § 49-10-305: Agreements with other school districts or states

Tenn. Code Ann. § 49-10-1001: General provisions (students with multiple disabilities)

### Charter School Statute

Tenn. Code Ann. § 49-13-112: Funding; allocation; federal funds

Tenn. Code Ann. § 49-13-124: Charter school powers

Tenn. Code Ann. § 49-13-141: Sponsor of charter school; LEA

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

### TEXAS

There are currently 280 charter schools operating in the state of Texas. Charters may be authorized through either the local school board or the state commissioner of education. The state commissioner is required to notify the state board of education of all charter applications that it intends to grant, and the state board has veto power over those decisions if a majority of the board votes against authorization. Two types of charter schools are recognized—open enrollment and district authorized. Open-enrollment charter schools serve as their own LEAs, with no link to any other LEA. District-authorized charter schools are members of the district LEA and have a partial-link relationship with the district. Most Texas charter schools are open enrollment. Texas’ general education funding is calculated using the foundation school program, which is divided into two tiers. Tier I makes a series of adjustments to the basic per-pupil allotment set by the legislature for such factors as grade level, class sizes, teacher salaries, low-income students, bilingual students, and so on. Tier II takes into account weighted average daily enrollment to determine if a district is eligible for additional funding. The total allotment per pupil is then divided between state and local funding. Charters are funded using a similar formula, which applies the value of various weighted categories to the base per-pupil amount.

Texas’ special education funding formula is also based on multiple student weights and multiplies a fixed amount per category with the basic per-pupil allotment to come up with an adjusted per-pupil allotment for special education. Federal and state special education funds flow to open-enrollment schools directly. For district-authorized charters, the funds first flow to the LEA and then are distributed to the charter. Special education funding from the state also flows directly to open-enrollment charters, and flows from the district LEA for district authorized charters. All funding is calculated based on average daily attendance as opposed to ADM, so schools with low attendance receive less funding, and students do not generate funding on days they are absent. For district-authorized charters, the LEA is responsible for providing special education for charter school students and may apply for any categorical state or federal aid intended to offset the cost of educating students with high-cost, low-incidence disabilities. Open-enrollment charters may cooperate or contract with the local school district or other service providers to meet their obligation to provide special education services, and may also apply for both federal and state funding for high-cost, low-incidence students.

#### Special Education Law

- Tex. Educ. Code Ann § 29.001: Statewide plan
- Tex. Educ. Code Ann § 29.007: Shared-services arrangements
- Tex. Educ. Code Ann § 29.008: Contracts for services; residential placement
- Tex. Educ. Code Ann § 29.018: Special education grant
- Tex. Educ. Code Ann § 42.151: Special education, special allotments

#### Charter School Statute

- Tex. Educ. Code Ann § 12.002: Classes of charter
- Tex. Educ. Code Ann § 12.055: Applicability of laws and rules to campus or program-granted charter
- Tex. Educ. Code Ann § 12.057: Status (campus charter)
- Tex. Educ. Code Ann § 12.106: State funding (open-enrollment charters)
- Tex. Educ. Code Ann § 12.107: Status and use of funds (open-enrollment charters)
- Tex. Educ. Code Ann § 12.1014: Authorization for grant of charters for schools primarily serving students with disabilities
- Tex. Educ. Code Ann § 12.1061: Recovery of certain funds (open-enrollment charters)
- Tex. Educ. Code Ann § 12.1071: Effect of accepting state funding (open-enrollment charters)

### UTAH

There are 95 charter schools currently in existence in Utah. Under Utah law, local school boards, the state charter school board, and certain higher education institutions may serve as charter school authorizers. All requests for

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

authorization are subject to approval by the state board of education. Its authorizer determines the charter's LEA status. State-authorized charters serve as their own LEAs, while district-authorized charters become part of the district LEA. Utah law requires that all federal and state funds for charter schools flow directly to the charter school, except where the school is a conversion or operates in LEA facilities without paying rent. Utah school funding is based on a weighted per-pupil system, and charter funding is similar, but the key difference is access to local revenue. Traditional districts receive a per-pupil allotment, calculated by a statutory formula that balances state and local funds. Charters are funded based on the same formula, but they do not have access to local funds. These funds are supplemented by local replacement funding from the state.

Utah special education funding is based on a block grant system, and all funds flow directly to the charter schools from the state board of education. Charters serving as their own LEAs may contract with the local school district or other service providers for the delivery of special education services. For schools in the district LEA, the LEA bears the responsibility of providing special education services. Charters acting as their own LEAs have the right to apply for reimbursement for funds spent educating students with high-cost, low-incidence disabilities, but the state budget for exceptional aid is limited and full reimbursement is not guaranteed. These charters also have the right to apply for any applicable federal funding in the same manner as a school district.

### Special Education Law

**Utah Code Ann. § 53A-15-303:** School district responsibility; reimbursement of costs; other programs

**Utah Code Ann. § 53A-17a-106:** Determination of weighted pupil units

**Utah Code Ann. § 53A-17a-111:** Weighted pupil units for programs for students with disabilities; district allocation

**Utah Code Ann. § 53A-17a-135:** Minimum basic tax rate; certified revenue levy

### Charter School Statute

**Utah Code Ann. § 53A-1a-503.5:** Status of charter schools

**Utah Code Ann. § 53A-1a-513:** Funding for charter schools

**Utah Code Ann. § 53A-20b-103:** Utah Charter School Finance Authority created; members; compensation; services

## VIRGINIA

Virginia currently has six operating charter schools. Under Virginia law, authorization is a two step-process: Applicants must first submit their proposal to the state board of education for preliminary review; then, if the proposal meets appropriate guidelines, it may be submitted to the local school district. The local school district has the final authority whether to grant or deny a proposal, and if accepted, the local school district becomes the authorizer of the charter school. The charter school becomes part of the district LEA of whichever local school district serves as its authorizer and has a total-link relationship with the LEA. Charter schools negotiate a contract with public school divisions that details all aspects of school funding and operations, such as the base per-pupil amount of funding that will be allocated to the charter, the process for student enrollment, operating costs, services provided, and so on.

Virginia's special education funding formula is resource-based, and Virginia law states that a proportionate share of state and federal funding for special education must be allocated to public charter schools that serve students with disabilities. The charter school's negotiated contract includes a provision for its share of special education funding based on its estimated expenditures per resource unit. The LEA of which the charter is a member is responsible for providing special education and may apply for federal or state funding for students with high-cost, low-incidence disabilities in any school in the district, including charter schools that are part of its LEA.

### Special Education Law

**Va. Code Ann § 22.1-216:** Use of public or private facilities and personnel under contract for special education

**Va. Code Ann § 22.1-218:** Reimbursement for placement in private schools; reimbursement of school boards from state funds

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

**Va. Code Ann § 22.1-219:** Use of federal, state, or local funds not restricted

**Va. Code Ann § 22.1-220:** Power of counties, cities, and towns to appropriate and expend funds for education of children with disabilities

### Charter School Statute

**Va. Code Ann § 22.1-212.6:** Establishment and operation of public charter schools; requirements

**Va. Code Ann § 22.1-212.14:** Funding of public charter schools; services provided

## WASHINGTON, D.C.

The District of Columbia currently has 60 charter schools in operation. While D.C. is not a state, it operates as a unified district, with the office of the state superintendent of education functioning as the equivalent of a state department of education. D.C. law provides for two authorization options: the D.C. Board of Education, and the D.C. Public Charter School Board. In 2007, however, the D.C. Public Charter School Board began to oversee all charter schools originally authorized by the D.C. Board of Education. The law does permit the Council of the District of Columbia to appoint another authorizer, but so far this has not occurred. Charter schools in D.C. make the decision whether to serve as their own LEAs with a no-link relationship to any other LEA; or to become part of the charter school board LEA with a partial-link relationship to the board. Charter developers must declare legal status when they seek authorization. Charters in D.C. receive general funds in a formula very similar to that of the traditional school district.

D.C. guarantees a base amount of district funding per student, called the “Uniform per Student Funding Formula,” to both charters and the traditional district. Additionally, both receive additional funding based on a fixed multiple assigned to other student factors, including low-income students, English language learners, students in lower or higher grade levels, and special education students. One key difference is local intradistrict funds, which traditional districts have access to but charters do not. Federal and state funds, including those for special education, flow from the D.C. Board of Education to LEAs, including charter schools acting as their own LEAs. As LEAs, charters are required to provide special education to enrolled students. Charters may apply for additional categorical federal or district funding for students with high-cost, low-incidence disabilities who require services that exceed their weighted per-pupil allotment. Charters may also contract with the D.C. Public Schools for the provision of special education services.

### Special Education Law

**D.C. Code § 38-2561.03:** Placement and funding of a student with a disability in a nonpublic special education school or program

**D.C. Code § 38-2561.04:** Funding of a placement of a student with disabilities in a nonpublic special education school or program made by other District of Columbia government agencies

### Charter School Statute

**D.C. Code § 38-1804.01:** Annual budgets for schools

**D.C. Code § 38-1804.02:** Calculation of number of students

**D.C. Code § 38-1804.03:** Payments

**D.C. Code § 38-1804.03:** Payments (charter schools)

**D.C. Code § 38-1833.01:** Office of public charter school financing and support

**D.C. Code § 38-2902:** Applicability of formula

**D.C. Code § 38-2905:** Supplement to foundation-level funding on the basis of the count of special education, LEP/NEP, summer school, and residential school students

**D.C. Code § 38-2906.02:** Payments to public charter schools

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

### WISCONSIN

The state of Wisconsin currently has 245 operating charter schools. State law allows local school districts to serve as authorizers in all parts of the state. The city of Milwaukee has several additional authorization options, including the City of Milwaukee, the University of Wisconsin-Milwaukee, and the Milwaukee Area Technical College. A charter school authorized by a city, university, or technical college serves as its own LEA and has no link to any other LEA, while a charter school authorized by a local school district may either become part of the district LEA or serve as its own LEA. General funding for district-authorized charters varies depending on the charter's contract with its LEA, and the amount of funding that the LEA provides to the charter is open to some negotiation. Wisconsin law requires that a contract between the charter and the LEA address all aspects of funding comprehensively, including per-pupil allotment, district aid, and grants. Charters acting as their own LEAs have a different funding structure: They receive a sum equal to the per-pupil revenue they received the previous year, plus an additional flat amount designated by statute, multiplied by the number of pupils who attend the charter school.

Wisconsin's special education funding formula is based on percentage reimbursement, and LEAs are compensated for a fixed percentage of allowable expenses for providing special education. For charters acting as their own LEAs, federal and state special education dollars flow directly to the charter, and the charter has the primary responsibility for providing special education services to enrolled students. Schools that are part of the district LEA do not receive funds directly—the funds flow to the district, which is then responsible for providing special education services to all students in the district, including those enrolled in the charter school. Charter schools in Milwaukee and Racine are the only schools in Wisconsin to serve as their own LEAs, and those schools receive federal IDEA funding at the same rate as other school districts in the state. These schools may cooperate or contract with local service providers or the local school district for the provision of special education services. They may also apply for any other additional state or federal categorical funding for which they are eligible, including funding for students with high-cost, low-incidence disabilities.

#### Special Education Law

- Wis. Stat. Ann. § 115.77: Local educational agency duties
- Wis. Stat. Ann. § 115.881: Additional special education aid
- Wis. Stat. Ann. § 115.882: Payment of state aid
- Wis. Stat. Ann. § 115.883: Supplemental special education aid
- Wis. Stat. Ann. § 116.032: Contracts for services
- Wis. Stat. Ann. § 116.08: State and local aid
- Wis. Stat. Ann. § 116.09: State and federal grants
- Wis. Stat. Ann. § 121.07: General provisions; state aid computation
- Wis. Stat. Ann. § 121.15: Payment of state aid
- Wis. Stat. Ann. § 121.17: Use of federal revenue sharing funds
- Wis. Stat. Ann. § 121.105: Special adjustment aids
- Wis. Stat. Ann. § 121.135: State aid to county children with disabilities education boards

#### Charter School Statute

- Wis. Stat. Ann. § 115.88: State aid
- Wis. Stat. Ann. § 115.775: Duties of operators of certain charter schools
- Wis. Stat. Ann. § 118.40: Charter schools

### WYOMING\*

Wyoming currently has only four charter schools in operation, and local school districts are the only entities allowed to authorize schools. Charter schools are part of the LEAs that authorize them in a total-link relationship. Charters in Wyoming receive general funding based on ADM, which is counted along with the ADM of the district LEA. As

## Appendix C: Statutory Review of State Charter School Special Education Funding Laws

part of the charter school contract, the charter and LEA negotiate how much general funding the LEA will provide to the charter, as well as any agreements regarding transportation, resources, and so on. Wyoming law requires that the charter be entitled to 100 percent of the foundation program amount allotted to its students, but shares of additional funding (including funding for low-income students, English language learners, etc.) can be negotiated with the district LEA. The charter is free to contract with the LEA for such educational services as curriculum, media, and so on. All applicable state and federal general funding flows through the district LEA.

Wyoming's special education funding formula is based on percentage reimbursement, meaning LEAs are reimbursed for a fixed percentage of allowable expenses for providing special education. All federal special education funding is received by the state board and dispersed to the LEA, and state funding flows directly to the LEA, which is responsible for providing all special education services to students in the district, including those enrolled in charter schools. Wyoming law does not prohibit district LEAs from contracting for services, and they are responsible for applying for any additional categorical funding they may qualify for to cover the expense associated with providing services to students with high-cost, low-incidence disabilities.

### Special Education Law

**Wyo. Stat. Ann. § 21-13-201:** Levy, collection, and distribution of 6-mill school tax

**Wyo. Stat. Ann. § 21-13-311:** Determination of amount to be distributed to each district from foundation account; undistributed balance; prohibition on expenditures

**Wyo. Stat. Ann. § 21-13-321:** Special education; amount within foundation program formula for special education programs and services; district reporting requirements

**Wyo. Stat. Ann. § 25-5-110:** Special education for minors and costs thereof

### Charter School Statute

**Wyo. Stat. Ann. § 21-3-305:** Charter schools; contract contents; regulations

**Wyo. Stat. Ann. § 21-3-304:** Charter school; requirements; authority

**\*Note: Wyoming's school funding system was found unconstitutional by the Supreme Court of Wyoming in Powers v. State, 318 P.3d 300 Jan. 28, 2014). The state has not yet altered its statutes for general education, special education, or charter school funding, so it is unclear at this point which statutes will be updated and which will be permitted to remain the same. The funding formula described above is still the one in use, but there is legislation proposed to alter those parts of it affected by the holding in this case.**



# Los Angeles Unified School District

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## Report of the Independent Financial Review Panel

November 10, 2015

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# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

## Table of Contents

Executive Summary.....	4
Purpose and Scope.....	4
Overview of Findings of the Panel .....	4
Defining the Challenge.....	6
Areas of Exploration.....	8
Revenues.....	8
Recommendations .....	10
Expenditures .....	12
Staffing and Benefits.....	12
Pensions .....	15
Business Operations.....	15
Payroll .....	16
Workers’ Compensation .....	16
Food Services .....	17
Warehouse and Logistics .....	18
Technology.....	19
Programmatic Expenditures .....	19
Recommendations .....	20
Staffing and Benefits.....	20
Business Operations.....	21
Programmatic Expenditures .....	22
Summary of Significant Findings and Recommendations.....	23
Issues for Immediate Action .....	23
Issues to which the District Must Adapt or Accommodate .....	23
Issues for Further Study .....	23
Report of the Independent Financial Review Panel .....	25
Scope of the Report .....	25
Methodology.....	26



# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

Focus Area 1: Revenues .....	26
Areas Chosen for Exploration .....	27
Student Attendance and Graduation Rates .....	27
Declining Enrollment.....	27
Graduation and Dropout Rates.....	31
Findings and Recommendations.....	32
Focus Area 2: Expenditures.....	34
Areas Chosen for Exploration .....	35
Staffing and Benefits .....	35
Classified Staffing .....	36
Certificated Staffing .....	39
Certificated Salaries .....	42
Pensions .....	43
Other Postemployment Benefits (OPEB) .....	44
Business Operations.....	45
Payroll .....	45
Workers’ Compensation .....	49
Food Service Program .....	52
Transportation .....	53
Technology.....	54
Programmatic Expenditures .....	55
Findings and Recommendations.....	56
Staffing and Benefits.....	56
Business Operations.....	57
Programmatic Expenditures .....	58
Conclusion.....	58
Issues for Immediate Action .....	58
Issues to which the District Must Adapt or Accommodate .....	59
Issues for Further Study .....	59
Appendix A—Meeting Agendas .....	60

# Los Angeles Unified School District

## Report of the Independent Financial Review Panel

November 10, 2015

---

Appendix B—KPI Benchmarks.....	63
Appendix C—Panel Participants .....	71

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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## Executive Summary

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### Purpose and Scope

This review was requested and this panel was commissioned by Mr. Ramon Cortines, Superintendent of the Los Angeles Unified School District (LAUSD or District). The purpose of the review and this report is to provide the Superintendent with an independent assessment of financial challenges and potential responses for the LAUSD. The panel was charged with ensuring the education of the children is the first priority of the District as reflected in its budget.

Panel members have broad high-level experience and bring a variety of perspectives to bear on the review. Collectively, the panelists are very experienced in dealing with complex state-level issues and represent the highest-level thinking on the most important topics facing the state and the District.

### Overview of Findings of the Panel

We believe it is important for readers of this report to be informed that, despite the difficult financial trends described herein, we did not find a failing school system in Los Angeles. We found clear examples of educational, social, and financial success. We believe that any critically informed researcher given access to all of the information, as we were, would also conclude that the examples of effective delivery of educational programs were legion. We found this to be particularly true in the areas that are most challenging, including special education, children of poverty, and those lacking in English language proficiency. We also found that while much has been accomplished in LAUSD, many more educational challenges face the District.

The panel wishes to recognize the fact that the decision to empower this panel, made by the Superintendent with support of the Board of Education and District leadership team, is a courageous act. Trusting informed experts to review every aspect of the District's financial condition and to tell their view of the story, in their own way, with no constraints shows a major commitment to transparency. We think the Superintendent and District leadership are to be commended for what we regard as a very progressive effort. The work of the panel was completely independent of District influence. The panel was promised, and was given, access to any information, personnel, plans, assessments, performance indicators, and other information it needed to do its work. The District staff respected that arm's length independence throughout the process. To preserve the independence of the panel, the District arranged for School Services of California, Inc., (SSC) to facilitate the work of the panel.

## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

---

We found that many of the near-term successes will be very difficult to maintain and expand in the face of very stark demographic and financial forecasts for the future. We also found that raising the achievement level of all sectors of LAUSD's large, diverse student population will be difficult. All large urban school systems have unique issues, but they are magnified in Los Angeles because the District must deal with these issues while laboring under California's school financial system, which still provides among the lowest per-student funding amounts in the nation. Additionally, the panel found that, compared to other states, the portion of funding provided by the state from income and sales taxes is much higher than other states and the role of local property taxes is much lower in California. The property tax is generally the more stable tax, while reliance on sales and income taxes reduce the stability and predictability of revenues. According to the US Census, the 2012-13 per-student funding level for LAUSD, the second largest district in the nation, is about \$12,691. The nation's largest school district, New York City Public Schools, provides \$23,690 per student for funding—nearly double the amount of revenues allotted for LAUSD's students. In fact, LAUSD's revenues fall \$1,659 per student below the average revenue amount for the top 10 districts in the country. If LAUSD received this funding, total funding would be about \$800 million more per year. That is to say that we found problems as well as opportunities. It is clear that the effect of California's ranking near the bottom of the nation in per-student funding has taken its toll on LAUSD finances. Even in the current more positive environment where revenues to education are recovering, LAUSD funding still ranks well below the levels enjoyed by large urban districts in other states.

In 2013-14, California adopted the Local Control Funding Formula (LCFF) to improve equity in the funding of schools over a seven year implementation period. At the state level, the LCFF is clearly a distribution mechanism, not a revenue generator for schools. However, the District, along with many other districts throughout the state are receiving additional funding due to LCFF's focus on English learners, free or reduced-priced meals eligible students, and foster youth.

The stated goal of the LCFF is to restore by 2021 the purchasing power schools enjoyed in 2007-08, the year before the "Great Recession." The state has not pursued the issue of adequacy of funding for public education. Throughout this report, we make comparisons to other large districts in the nation and to national average funding levels, but even those comparisons ignore the issue of adequacy. Nationally, other states have taken on the issue of adequacy and those states have moved ahead the national average in funding and even further ahead of California. The adequacy issue is far beyond the scope of this report, however we call attention to it to point out that LAUSD and other California schools simply do not enjoy a level playing field when compared to schools in other states.

Much of the investigation by the panel related to the disconnect between expenditures that can reliably be expected to grow and revenues that are already low and which can clearly be expected to produce increasing deficits in the out years. Much of the volatility is related to past, present and future declining enrollment, high costs for employee benefits, special education services, and

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

---

retiree benefits. But the vagaries of the economy and trends in state and federal requirements and funding levels are also significant factors.

A major challenge to the long-term viability of the system is the issue of declining enrollment. Over the past six years, LAUSD has lost almost 100,000 students and now serves about 550,000 students. About half of the loss of students is attributable to increased enrollments in charter schools, but about half of the students lost are no longer served by the District at all due to decline in the birth rate as well as students dropping out of school or transferring to other school districts. Projections are that the District will continue to lose students at a rate of about 2.8% per year for the foreseeable future. If that trend projection proves true, this would be a loss of an additional 75,000 to 80,000 students. The District must make a fundamental choice and make it now; can the trend of enrollment losses be reversed or not?

If it is determined that the trend cannot be reversed, the District's future planning will be characterized by constant down-sizing and loss of revenue until the District reaches a new equilibrium at a lower, but sustainable, level. The panel noted that, despite the loss of 100,000 students in the last six years, total full-time equivalents (FTEs) in the District have grown slightly, from 64,116 employees in Fiscal Year (FY) 2013 to 64,348 in the current year according to data from the California Department of Education as analyzed by SSC. Given the significantly smaller population of students, these staffing levels need to be reexamined.

If the District determines that the declining enrollment trend can be reversed, it will need to do whatever is necessary to make it so. Planning for sustained program levels while costs are rising and revenues are falling has resulted in constant budget turmoil for the District.

The Superintendent's challenge to the panel is to offer recommendations to help reverse very predictable factors that will soon result in the District experiencing on-going deficits of hundreds of millions of dollars per year. The detailed recommendations outlined in this Executive Summary and detailed in the full report represent the panel members' best thinking as to how to approach these pervasive economic and financial trends.

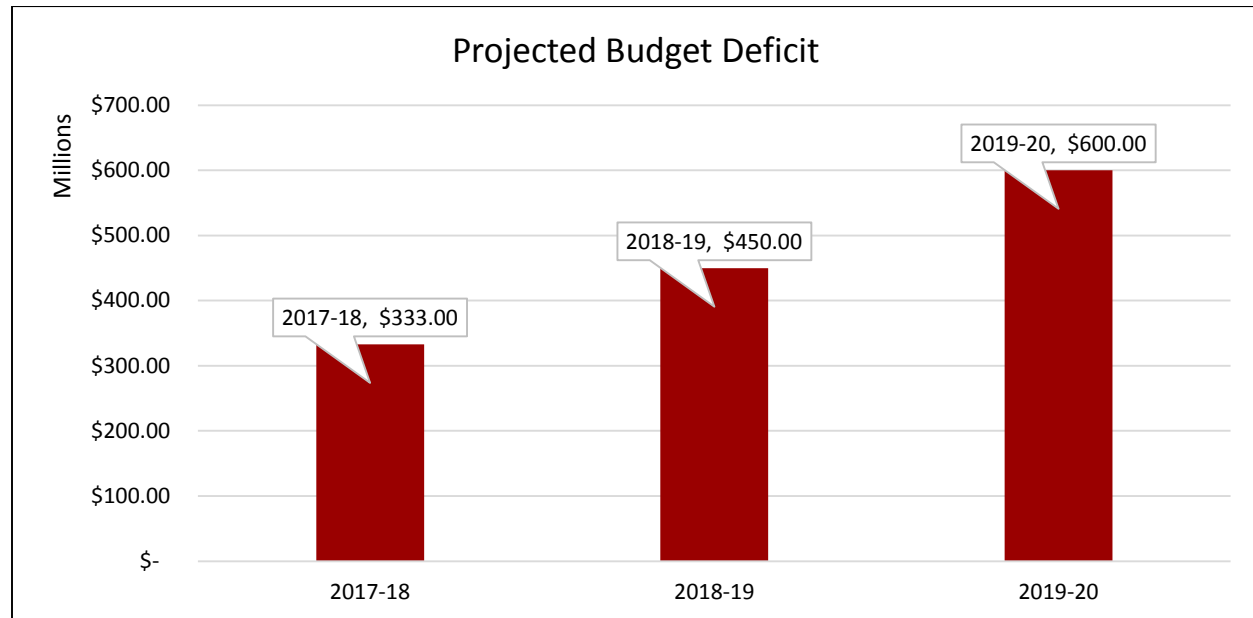
## Defining the Challenge

The LAUSD is facing a significant structural deficit in its operating budget that threatens the District's long-term financial viability. The chart below illustrates the substantial and growing gap projected between expected revenues and expenses in the years ahead if the District continues along its current path.

## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015



Budget reserves represent a district's ability to weather unanticipated fiscal pressures. With the ongoing expenditure commitments exceeding the revenues available, the District will be forced to use its budget reserves to close that gap. As a result, the District has estimated, and this committee has confirmed, that the LAUSD will face a budget deficit of \$333 million in FY 2017-18, according to the 2015-16 final budget. If the status quo continues, current trends forecast declining revenues for the District and fast-paced growth in its expenditures, we estimate that the budget deficit will grow to approximately \$450 million in FY 2018-19 and \$600 million in FY 2019-20, driven primarily by pension and healthcare costs. This expanding gap represents a serious challenge to the LAUSD's financial stability in the near term, one that insists upon immediate action today.

In addition to the budget deficits noted above, the District's credit quality could change leading to higher costs for both short-term and long-term borrowing. This could be exacerbated by the new school district budget reserve law that could limit the District's reserve from its current policy of 5% to 3% of its total budget, the equivalent of six days' payroll.

The District's cash balance reserves provide a small operating cushion for FY 2015-16 and, most likely, FY 2016-17, but we expect that the pressure on unrestricted cash will grow in FY 2017-18 and beyond. We note that the District's overall cash balances have declined by \$1.463 billion in the past five years, and while the most important category of unrestricted cash and cash equivalents has recently improved, over half of this amount is already set aside for health & welfare costs in the next two years, and for insurance reserves for property, casualty, Workers' Compensation, and general liability.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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The panel found that for 2015-16, both the District's budget and cash reserves meet the District's policies; however, the trends show that the District will be out of compliance with its policies in the near future.

The possible extension of the Proposition 30 tax increases alone will not resolve the District's deteriorating financial condition, but will only help keep a bad situation from becoming a catastrophe in three-to-five years. Additionally, all increases in the K-12 spending that are part of the state budgeting process have been committed by the District, and all new funding from the LCFF will be used to cover recently approved increases in benefits and higher pension costs.

Thus, if the District desires to continue as a going concern beyond FY 2019-20, capable of improving the lives of students and their families, then a combination of difficult, substantial and immediate decisions will be required. Failure to do so could lead to the insolvency of the LAUSD, and the loss of local governance authority that comes from state takeover.

This outcome would represent a total failure of the educational system for the state and for our local community and is therefore unacceptable. Our recommendations are intended to prevent the District from moving closer to the brink.

## Areas of Exploration

After receiving preliminary information on a wide variety of topics, programs, and challenges facing the District, the panel elected to focus on four areas related to the Superintendent's charge to the panel. Each of those areas, Revenues, Expenditures—Staffing and Benefits, Expenditures—Business Operations, and Expenditures—Programmatic, is broad, complex, and important to the long-term fiscal viability of the District. Within each of the four areas, the panel focused its examination on the big issues that could really “move the needle” in terms of District performance.

The panel focused its work on identifying recommendations that comport well with the longer-term demographics and financial trends facing the District. Accordingly, the panel's recommendations are categorized into three groups: Issues for Immediate Actions, Issues to which the District Must Adapt or Accommodate, and Issues for Further Study.

## Revenues

District revenues are largely dictated by LCFF funding that has been increasing because of 1) a stronger economy, 2) restoration of past reductions to education funding, and 3) the revenue provided by temporary increases in sales and income taxes adopted by voters in 2012 with passage of Proposition 30. Revenue increases are forecast to slow to reflect that past cuts have been restored and that the temporary taxes begin to expire in 2016 and expire totally in 2018. The panel bases its projections on current law, though we are aware that there are efforts to extend the temporary

## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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taxes. Any extension of the taxes, particularly if the funding is dedicated to public education, could serve to slightly mitigate some of the adverse trends noted in this report.

Within the broad area of revenue generation, one area that looms large both fiscally and as a driver of student performance is the area of student attendance. Not only is attendance the biggest driver of revenues for the District, but is a big driver of student success.

The panel found that, in addition to loss of revenue, poor patterns of attendance lead to poor classroom performance, higher dropout rates, lower graduation rates, and reduced readiness for higher education or entry to the work force.

The panel gathered information regarding the relative performance of the District and found that, while much had been done, much more needed to be done. Over the past six years, the District has lost almost 100,000 students and now serves about 550,000 students, down from about 650,000. This represents a significant loss of ongoing revenue, nearly \$900 million, but the panel recognizes that it also creates tens of thousands of individual stories of students who are no longer served by the District. Any improvement in the trend of declining enrollment must start with analysis of which students are being lost, at which grade levels, at which schools, and why. The answer to “why” can only be determined by extensive follow up with students, parents, and the institutions to which the students transferred.

It must be recognized that there is no one cause for the decline in the District’s enrollment, but rather it is the culmination of various factors, some within and some outside, of the District’s control. Understanding these factors can allow the District to construct programs that can bring students back to the District as well as improve attendance rates.

Students who remain in the District attend school less often than the statewide average. Given that the state provides revenues strictly based upon attendance, every day of absence represents a loss of revenue to the District. If the District increased its attendance rate to the statewide average it would generate about \$45 million more per year in revenues.

But achieving an attendance rate of the statewide average should not be the goal, rather the minimum standard. The District should strive to have students attend school at a frequency greater than the statewide average. Not only will the students benefit from increased attendance, but the District’s revenue will increase proportionately.

Charter schools represent both challenges and opportunities for the District. Charter schools are part of the public school system and are approved by the Board of Education to provide alternatives to students and parents. Under state law, the District maintains responsibility for overseeing charters to ensure they meet the terms of the granted charter.



# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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About half of the District's decline in enrollment can be attributed to the growth in charter enrollment, with the other half due to demographic changes like the decline in the number of children born in Los Angeles County. Rapid charter enrollment growth has been a statewide trend, growing an average of 13% annually from 2010 to 2014 for unified districts in the state. LAUSD's charter enrollment has grown even more rapidly, growing an average of 20% annually from 2010 to 2014, making it the largest charter school program in the country. This trend is likely to continue if not accelerate in light of a recently released charter expansion plan.

The issue of charter enrollment growth can be controversial and often divisive. This panel does not take a position on the merits, or lack thereof, of charter schools. However, the panel does want to make clear that the continued loss of enrollment would have a deleterious impact on the District's finances if it is not accurately accounted for through corresponding staff and infrastructure reductions. At some point it will be important for the District and the community to coalesce around shared values for the purpose of community reconciliation for the educational benefit of all students residing within the District.

The District must make every effort to attract and retain students and parents by offering high-quality schools, but also must not put off difficult financial decisions by making unrealistic assumptions about future enrollment. Even if LAUSD had no more new charter schools, its enrollment would continue to decline due to demographic factors, factors that are not within its control, and that are unlikely to reverse in the coming years. All District departments must properly plan for the continued and possibly accelerated decline of student enrollment, and the Board must act accordingly.

Additionally, there may be lessons to be learned from the migration of students to charter schools. We think it is very important that the District carefully analyze charter programs and focus on which students are leaving and why. It may be that the District could replicate some of the programs that cause parents to choose charters. This focus could improve both District enrollment and the richness of District programs. The same can be said about the need for the District to analyze its own high achieving schools and look to replicate their approach, programs, and successes.

## **Recommendations**

As a result of its investigation of the topic of student attendance, the panel offers the following recommendations:

- A comprehensive review and development of a definitive plan for improving attendance by school and by grade and implement a resulting blueprint with the goal of improving attendance rates.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

- District should engage schools in the improvement of attendance for students and staff with the expectation that the local schools and the District would benefit from any increase in revenues.
- A coalition of school, law enforcement, and judicial representatives examine ways to focus on improving attendance at the poorest attended schools and grades.
- A parent information campaign to instill in parents an understanding of the laws relating to school attendance and the pivotal role attendance plays in student success.
- Study losses of enrollment to charter schools, other districts and private schools and emulate the programs that parents believe are only offered by charter schools.
- Implement an aggressive dropout prevention program with an initial goal of reducing dropouts from roughly 17% to the statewide average of 11%, and an ultimate goal of the lowest dropout rate among large urban districts.
- Study the successes of extraordinary schools, such as the 22 schools recently recognized as California Blue Ribbon Schools, within the District to learn from within the District and adopt their strategies throughout the District.
  - *One example is Young Oak Kim Academic, with 87% of its student population identified as economically disadvantaged, the school has an attendance rate of 98.3%.*
- Improve attendance monitoring for vulnerable populations, including English learners and lower-income students.
- Adopt practices of revenue management that include:
  - Advocacy for adequate funding by the state of California, even at full implementation of the LCFF LAUSD will be funded at a lower level than most large urban districts across the nation.
  - Continual review of trends to match revenues with expenditures so that they are moving in parallel.
  - Maximization of revenue opportunities provided under the LCFF including maintaining enrollment and improving attendance rates.
  - Stringent internal management of all revenues. The District is receiving substantial new revenue to support traditionally underserved students and all new revenue should be directed to the District's highest priority needs.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

- Establishment of a model that holds the District and its managers accountable for management of revenues. Every manager is responsible for ensuring that students and the tax payers get fair value for every dollar spent.
- Advocate for full funding of the Individuals with Disabilities Education Act (IDEA) by the federal government.
- Adoption of technologies to more efficiently manage revenues and produce timely, accurate, relevant fiscal and management information.
- Advocacy for statewide change to lowering the vote threshold necessary for passage of a parcel tax.
- Board consideration of a parcel tax.

## Expenditures

As expected, most categories of expenditures in the District represent very significant dollars but generally reflect the cost of educating students in a variety of appropriate settings. These costs tend to change proportionally to the changes in funding by the state. The panel looked at three areas of expenditures where benchmarking data illustrated that LAUSD was an outlier when compared with other large California districts or similar national districts. Comparisons were made to other large districts in California and across the nation, and also with longitudinal comparisons of the District against its own performance over time. The three areas are Staffing and Benefits, Business Operations, and Programmatic.

### Staffing and Benefits

Earlier, we described the effects of declining enrollment on District revenues; there is a corollary effect on District expenditure levels. The largest expenditure related to serving students is certificated teachers. The District's loss of 100,000 students would indicate that the District staff would need to be reduced by about 10,000 staff, including administrators, classified and certificated personnel, for a savings of about \$500 million per year.

However, we found that the District had not reduced staff commensurate with loss of enrollment and, in fact, had experienced higher salary costs because of both salary and benefit increases and increases in staff. The panel is concerned about the sustainability of the District labor force in the face of declining enrollment and lower funding forecasts.

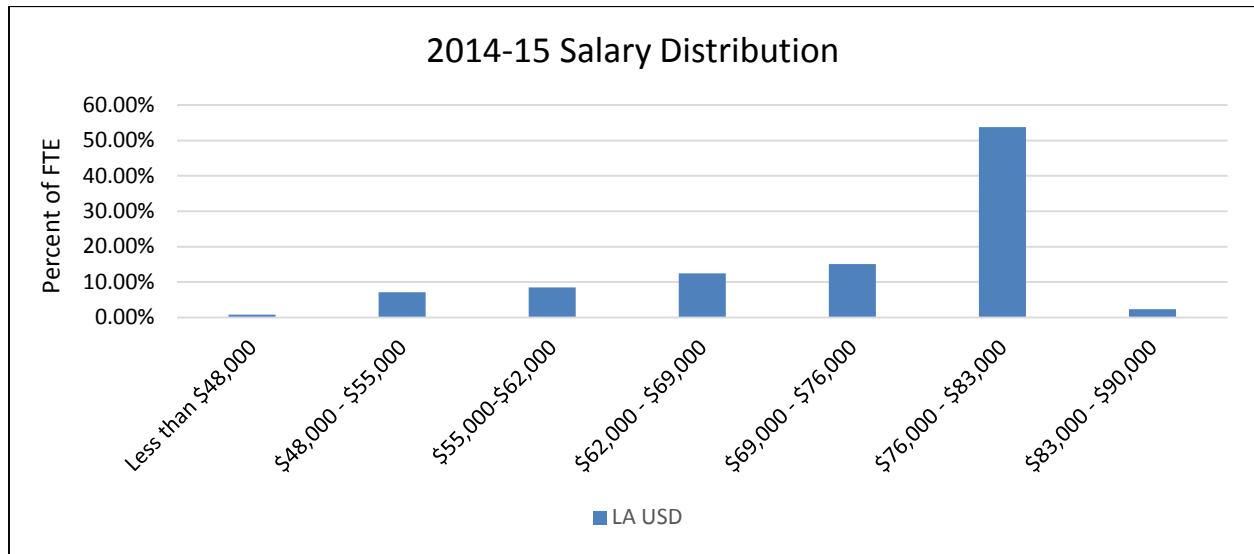
The loss in enrollment portends even broader future changes. Staffing in all bargaining units will need to continually be reduced to match any future enrollment losses. At some point, the number of schools will also need to be examined as the District "right sizes" itself.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

According to the 2014-15 J-90 Certificated Salary survey completed by the District in September, more than 56% of District teachers have reached the maximum salary level, 10% above the average for the state. If the District reduces staffing through layoff or by accelerated attrition, it will achieve savings at only the entry level of the salary schedule. We recommend the District consider offering an actuarially sound early retirement incentive to the most senior staff. If those with the highest salary are induced to retire two to five years early, with a clear understanding that those positions will not be replaced, the savings can be dramatic. This approach also protects the District’s newest teachers and offers them job security that will not be possible if the District must reduce entry level staff because of seniority rules.



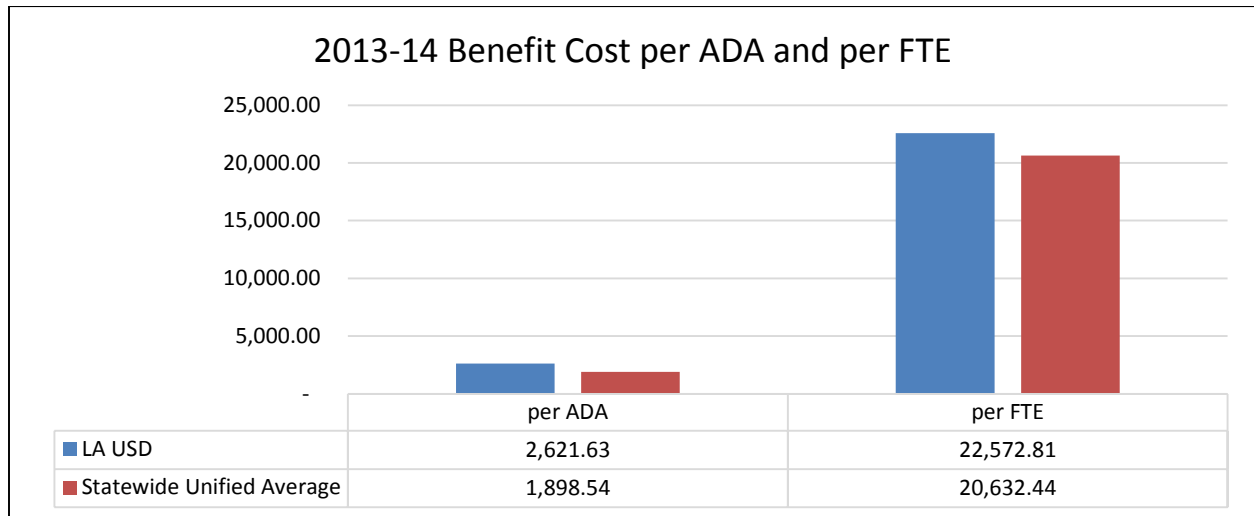
This District has defined strong staff attendance as attending work 96% of the time or more. Currently, 75% of staff has a strong attendance. This strikes us as setting a standard that is incredibly low. If 25% of school site staff are missing 5% or more of their work during the school year, the loss of instruction time and productivity, and the expense of finding substitute labor, is deeply troubling. The District must set higher expectations for staff, and hold them accountable. Improvements are not possible with staff who don’t show up to work. If 90% of school site staff demonstrated strong attendance instead of the current 75%, this would mean an additional \$15 million not spent on substitute personnel, with increased productivity gained by the school site and District.

The District also needs to look at reducing the rate of growth in costs related to providing health care benefits to its active and retired staff. For 2013-2014, LAUSD’s costs for all employee benefits, including health and welfare, OPEB and pension benefits, equaled \$2,621 per average daily attendance (ADA), meaning that of the \$9,788 in over ADA revenues received from the state, fully 27% of that payment goes to cover pension and healthcare costs, even before paying salaries, schools supplies, and textbooks according to the latest financial data provided by the CDE. Per FTE, the District’s expenditures for benefits is 9.4% higher than the statewide average.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015



In April, the District entered into an agreement on health benefits for three years, through 2017. The increased cost to the General Fund will be \$76.5 million in FY 2015-16, \$50.3 million in FY 2016-17, and \$109 million in FY 2017-18. This represents an 8.8% annual increase over the next three years, even if that amount could be curbed 50% to 4.4%, it would signify a \$118 million cost avoidance for the District. The subsidy from the general fund is siphoning monies that legally can and should be spent on educational priorities.

The panel recommends the establishment of a labor-management committee to identify alternatives and strategies to reduce health care costs. The panel found that while total compensation is competitive, salaries are lower, while benefits are higher, than comparable districts.

The teacher pool was created to allow school sites to have greater flexibility in the management of their teaching staffs and to provide placements for displaced staff. Teachers in the pool could be used for substitute assignments and other duties, but at a higher cost than for daily subs. Entry to the pool is largely at the discretion of the school site management, but exit from the pool has in the past been more difficult because both management and the individual teacher had to agree on the new assignment. Either party could veto the assignment resulting in the teacher staying in the pool. This caused the pool population, in the past, to rise to more than 1,000 teachers at an annual cost in excess of \$75 million.

As a result of recent policy changes, management now has the right to make appropriate reassignments of teachers in the pool, and the pool population has declined to about 100 teachers; still, an ongoing cost of about \$10 million annually. Other districts do not afford school sites the same degree of flexibility in staff selection provided by LAUSD, and we were unable to locate other examples of use of this process. While current emphasis on moving teachers out of the pool have been successful, the panel believes the District could, at some future date, see the pool grow. Therefore, the panel recommends that the District take one final step and simply eliminate the

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

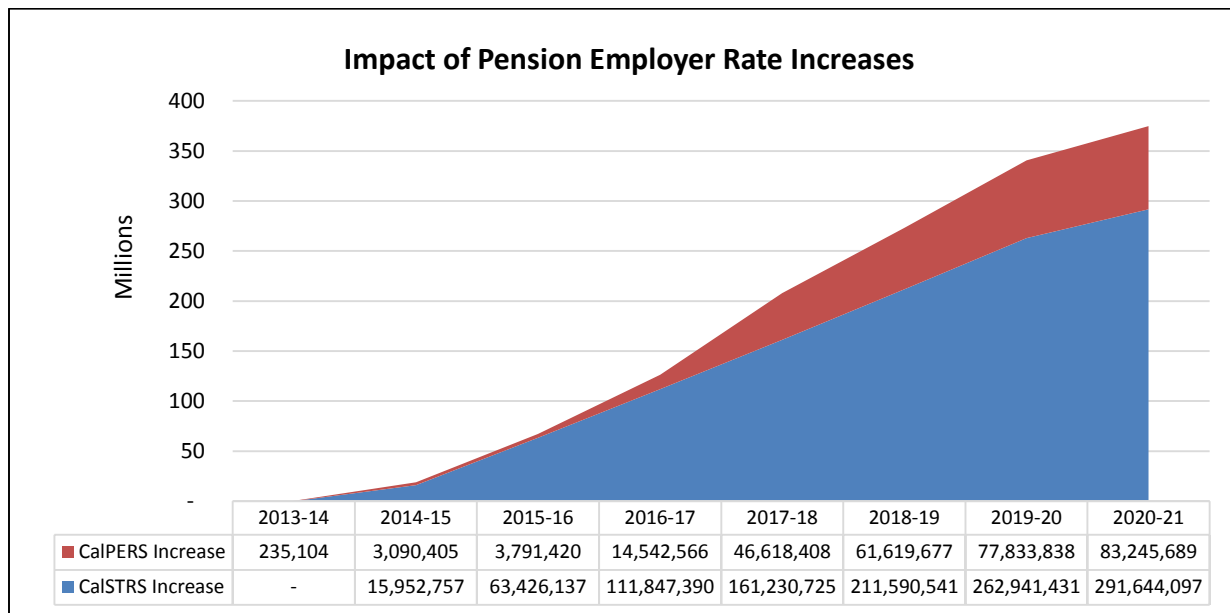
November 10, 2015

teacher pool. This would result in school sites and the District using statutory and contractual provisions for voluntary and involuntary reassignments as is much more common in other districts.

## Pensions

The California Public Employees’ Retirement System (CalPERS) and the California State Teachers’ Retirement System (CalSTRS) pension reforms have brought increased costs to the District. These reforms have increased the employer contribution for pension-eligible salaries, bringing a new long-term expense to the District. The chart below shows the total cost of both the CalPERS and CalSTRS employer contribution increases through 2020-21, when the new employer-contribution rates are fully implemented.

In 2017-18, it is estimated that the \$81.5 million in additional costs associated with the increased pension employer contributions from the prior year will exceed the amount of net new revenues generated by the LCFF as a result of declining ADA.



## Business Operations

Business operations includes all of the support services needed to make schools successful, but it also includes management of debt, workers compensation, and other significant long-term cost drivers.

The panel reviewed a series of Key Performance Indicators (KPIs) developed by the Council of the Great Cities Schools and TransAct, Inc. The panel also reviewed comparative data prepared by SSC in its CADIE and SABRE reports. The KPI’s, combined with the CADIE and SABRE

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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data tell a very complete story of the performance of LAUSD compared with other large districts in a wide variety of financial and business areas, allowing the panel to determine the extent to which “best practices” had been implemented in the District.

Just as the comparative data obtained from these reports was very useful to the panel, we believe it is important for the Superintendent and Board to see this benchmarking information periodically as well.

## **Payroll**

The District has a relatively high level of payroll errors compared to its peers. This is likely exacerbated by its comparatively low level of automation, low direct deposit percentages and high levels of off-cycle pay checks. These factors have resulted in a high payroll cost ratio of \$6.84 per paycheck compared to the peer average of \$2.61. While the overall cost of payroll operations may not be significant, deficiencies in payroll operations could indicate a lack of adequate controls and could expose the District to major financial liabilities if not addressed.

## **Workers' Compensation**

The LAUSD's Workers' Compensation claims are significantly higher than the average unified for school districts statewide and have grown considerably in recent years. In 2011-12, LAUSD's Workers' Compensation costs totaled more than \$100 per ADA whereas the average for a unified district statewide was \$84 per ADA. Two years later, these costs grew to \$150 per ADA—an increase of nearly 50% in two years (the average growth statewide for unified districts was 26%).

While a majority of these appear to be for minor claims, the loss in productivity—and the expense associated with them—is something the District cannot afford. Had LAUSD's Workers' Compensation costs been at the statewide average per-ADA cost for unified districts, the District would have seen a savings of \$23.3 million in 2013-14. If the average LAUSD cost per claim was equal to that of the University of California, then the overall cost per injury would drop by 50%.

One example of an option the District may consider is to employ a tactic successfully used at the University of California, where the risk management office addressed a plethora of slip-and-fall cases among food service workers by purchasing two pairs of non-slip shoes for each food service employee. Once this improvement was implemented, Workers' Compensation cases among food service workers fell dramatically.

Implementation of tactics to reduce Workers' Compensation claims would have positive effect on both employee productivity as well as a reduction in the expenses surrounding the Workers' Compensation claims.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

## Food Services

LAUSD participates in the National School Lunch Program, which is a federally assisted meal program operating in public schools throughout the country. The program provides nutritionally balanced, low-cost or free breakfast, lunch, and after school snacks to children each school day. Like most large urban districts, LAUSD's food services program is comprehensive in nature supporting menu and nutrition planning, procurement, cold and dry warehousing, food preparation, logistics, and site-based service models. The program is likely to be serving more meals each school day than the aggregate count of meals served by the community's restaurants. Much has been reviewed, studied, and written recently about weaknesses in the District's food services program. As such, the panel opted not to look further into the details of the operation and its finances except as it relates to the impact on the District's General Fund.

The chart below illustrates the level of General Fund support for the food services operation. Excluding the Repayment from the General Fund (see chart footnote below), the food services program has encroached on the General Fund by \$168.6 million over the past four years (including estimated for the current year). In the most recent years the encroachment is roughly \$50 million per year.

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Actual	Actual	Actual	Unaudited Actuals	Current Estimate
General Fund Support			\$15.0	\$51.0	\$50.0	\$52.6
Repayment from General Fund*	\$32.0	\$88.6	\$38.6			
Total From General Fund	\$32.0	\$88.6	\$53.6	\$51.0	\$50.0	\$52.6

\$ in millions; Source: LAUSD Comprehensive Annual Financial Report

\*In March 2011, the District signed a Memorandum of Understanding with the California Department of Education (CDE) to resolve allegations that certain expenditures related to administrative support were inappropriately charged to the District's Cafeteria Fund (food services program) in Fiscal Years 2004-05 through 2007-08. The repayment from the General Fund to the Cafeteria Fund was appropriate given that the administrative expenditures in question would have otherwise been charged to the General Fund.

The encroachment of the food services operations is not warranted and actions should be implemented immediately to curtail and eliminate any contribution from the General Fund to the Cafeteria Fund, thus saving roughly \$50 million per year. Large urban districts with a high percentage of children eligible for the National School Lunch Program typically are able to sustain and grow their food service programs in a self-sufficient manner without contributions from other operating funds such as the General Fund. These programs often produce a "profit" that is reinvested in the program to support innovative and high quality and healthy menu and delivery options.

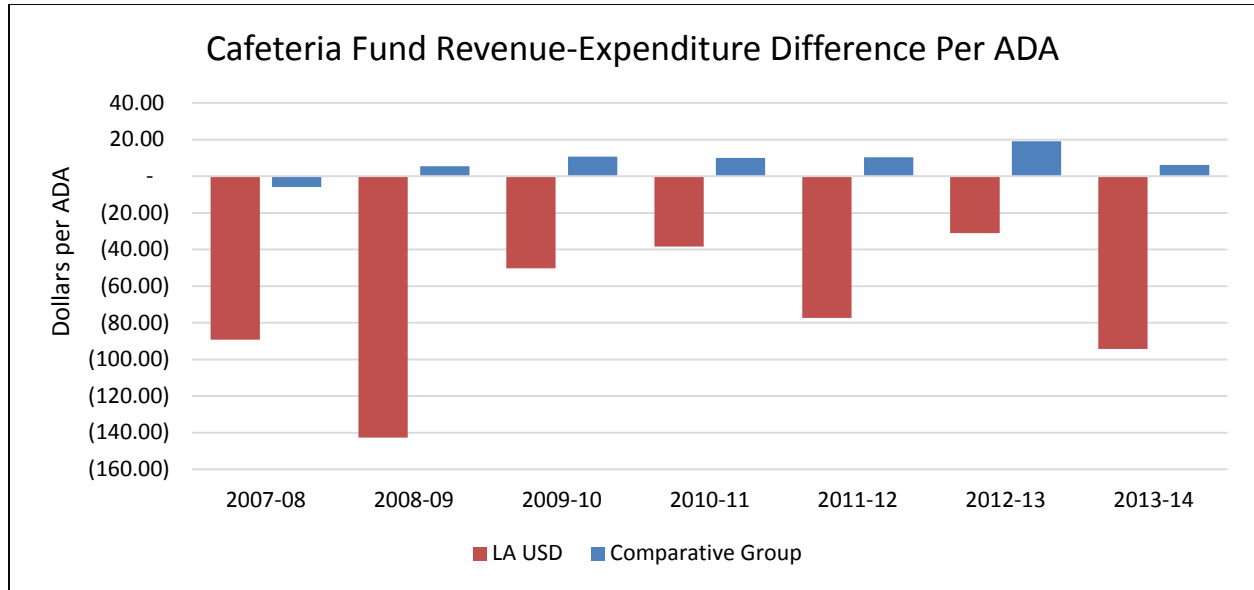


# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

Three charts (one below and two in this report’s main body) provide additional insight to the panel’s observations. The chart below is a comparison of LAUSD to other large California school districts depicting the difference between Cafeteria Fund revenues and expenditures per ADA for the most recent data available from the CDE. Focusing only on 2013-14 (the most recent year without the aforementioned General Fund Repayment obligation), LAUSD showed a Cafeteria Fund deficit of \$94.36 per ADA compared to the Comparative Group’s “profit” of \$1.16 per ADA.



As previously asserted, the District has reviewed, studied and written recently about weaknesses in the District’s food services program. There are numerous financial and productivity metrics available to the District to more precisely look at areas of operational efficiency and financial improvements. Two KPIs based on the difference between LAUSD’s operations and those of comparable national districts support the committee panel’s concerns and recommendations.

## Warehouse and Logistics

An area that the panel feels warrants further study is that of warehousing and the provisioning of high volume, low unit price office, art, medical, PE, custodial, and maintenance supplies. It is the panel’s understanding that LAUSD currently utilizes a traditional procurement, warehouse, requisition and delivery system for these items (internal warehouse and provisioning). The panel also is aware that some office supply provisioning is done through local retailers utilizing procurement cards.

Most educational systems long ago adopted a desk top ordering system with next day delivery to the individual sites providing for office and custodial supplies, and many have incorporated other commodities in the system as well. This is commonly called Just-in-Time (JIT) and is a supply chain management process designed to reduce carrying costs to a minimum. Schools and

## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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departments order based on their immediate need, eliminating “closet warehouses” and shifting the burden for storage and delivery to the retailer at the end of the supply chain. These systems utilize vendor ordering systems, warehouses and delivery processes.

While unit prices may be slightly higher under a JIT provisioning model, the benefit of these systems is the transfer of risk and loss associated to carrying and logistics costs, and, when done right, elimination of many administrative tasks reducing the overall cost for these commodities. Care must be given if a JIT system is adopted to ensure that processing costs are truly eliminated and not just shifted from one department to another (for example from purchasing and warehousing to accounts payable). This can be done by adopting current business operating standards and ensuring that each function is value added to the overall process. With respect to local procurement utilizing procurement cards, seldom does this practice result in lower cost purchases. While it may be convenient to a local school, it requires time to “shop” and process the paperwork, and seldom results in the overall lowest price.

JIT systems do not completely eliminate the need for internal warehousing but allow District warehouses and logistics services to down size and focus more on value-added services. For example, standard white bond copy paper may still be best purchased in bulk and stored and delivered internally. Warehouses may be repurposed for technology processing, warranty service, instructional materials (textbooks), etc. Implementation can be phased in over several years to take advantage of attrition and reassess job classifications as internal warehouses and logistics services are repurposed and retooled.

It is important to acknowledge that the panel did not look at specific metrics related to the District’s current warehouse and logistics operations. Instead, the panel relied upon its understanding of the current model as compared to industry standard models that are based on JIT. Ultimately, the District needs to assess what is the lowest cost, most efficient process to deliver quality products when needed to the classroom and classroom support functions at schools and central departments.

### **Technology**

Relative to its peers, the District has the highest number of tablets per student. However, its Help Desk has an abandonment rate of over 25%. This means over one quarter of all calls are not answered by the service desk staff before the caller disconnects. This could mean that the ratio of hardware purchased compared to ongoing IT support may not be ideal. While the District’s total amount of expenditures on IT may be appropriate, a review of the balance between investments in hardware, network and service within IT categories may be warranted.

### **Programmatic Expenditures**

The District serves one of the largest populations of Special Education students in the country. Data implies there is an over identification of students in LAUSD’s Special Education program.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

This may be a consequence of the combined impact of declining enrollment and increasing charter school enrollment but may also be a consequence of regular education deficiencies. Routine studies across California often identify over identification of students for Special Education as a result of inadequate and/or inconsistent regular education intervention systems for both academic and behavior deficiencies in students.

Since the implementation of the IDEA in the mid-1970s, the services to which students are entitled has been well defined and recognized in both federal and state law. The funding mechanisms have been far less precise. Under the IDEA, in every year the state is expected to fund approximately 60% of the cost of Special Education services, and the state of California has met that goal. The federal government was expected to fund about 40% of the cost, however, it has never met that funding goal; the federal contribution is about one fourth of that expectation. In most years, school districts across California are expected to, and do, deliver excellent services to students with identified disabilities. But, only about 70% of the cost is paid by dollars specifically identified for Special Education, the remaining cost is covered by transfers of funds from unrestricted programs.

Students cannot be denied needed services because of these funding issues, but the additional unfunded costs produce severe budget pressure for the District. Even as District enrollments are declining overall, the number of students identified for Special Education services is increasing. The District expects this trend to continue.

## Recommendations

As a result of its investigation of the topic of Expenditures, the panel offers the following recommendations:

### Staffing and Benefits

- Offer an early retirement program to reduce staffing at the senior levels and reduce future staffing costs.
- Commit to making proportional staffing reductions in any year where enrollment declines.
- Re-staff schools mid-year to reduce staff or reallocate staff as student enrollments change.
- Increase expectations for employee attendance and reduce substitute costs.
- Eliminate the Teacher Pool.
- Integrate defined benefit pension entitlements with social security for employees who are eligible for both.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

- Seek to negotiate changes in the employee benefit plans to lower costs to the level offered by other comparable school districts, for example:
  - Implement a drug formulary option to save both employees and the District money on prescriptions.
  - Require staff to pay part of the premium if they choose to add family member coverage, or, alternatively, provide incentives not to add them.
  - Use the plans offered in the Federal Affordable Care Act (ACA) as the standard for retiree benefits coverage; close coordination with federal coverage can save the District money while maintaining high-quality employee benefits.
  - Consider going to a 90/10 contribution rate health benefit plan. This change alone would save the District \$57.4 million a year.
  - Offer retirees the option of taking a lump sum payment in lieu of retiree benefits.
  - Aggressively review eligibility of employees and family members covered by District health plans.
  - Negotiate a cap on District health care expenditures to reflect the decline in the number of students and staff. Plan changes might be needed periodically to avoid exceeding the cap.
    - ◆ The cost to LAUSD of providing coverage to a pre-Medicare retiree can exceed \$24,000 *per year*. The cost of platinum coverage under ACA (Covered California) is less than half that amount. The District should consider switching plans.
  - Refine and Accelerate Dependent Verification.
  - Renegotiate the health benefits agreement and freeze all healthcare expenditures for five years.

## **Business Operations**

- Review KPI, CADIE, and SABRE data in a public Board meeting at least twice a year
- Review its payroll operations to improve effectiveness and efficiency
- More aggressively manage Workers' Compensation costs
- The District should hire a third-party consultant to consider how to implement the following ideas immediately:

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

- Immediately begin doing “Compromise and Release” processes for injured employees. Included in this must be enhanced training for supervisors.
  - Move to an accelerated claims closure program. One way to accomplish this is to move claims to your Third-Party Administrator (Sedgwick) more quickly. There are many studies that show that late reporting of claims impacts the overall cost and the ultimate care for the injured employee. Common sense says this needs to be fixed, as it is in the best interest of the District and the injured employee.
  - Explore risk financing techniques, including loss portfolio transfers, excess and aggregate cover, and captive financing.
  - The current Workers’ Compensation system provides too many disincentives for returning to work; this needs to be improved immediately, and the investigation of the use of the 150-day statutory leave should be part of this review.
- Study further the operational metrics of the District’s current warehousing and logistics support functions to determine if other means of provisioning high volume, low unit price office, art, medical, PE, custodial, and maintenance supplies afford lower cost and more efficient services to schools and departments.
  - Immediately curtail and eliminate any contribution from the General Fund to the Cafeteria Fund, thus saving roughly \$50 million per year.
  - Review the balance of expenditures for information technology between hardware, network, and service.

## Programmatic Expenditures

- Re-evaluate the process by which students are designated for inclusion in Special Education programs
- Identify trends in age, grade-level, disciplinary status, gender, and ethnicity to ensure students are identified for special education services in a principled and ethical manner
- Avoid over identification of subgroup members, particularly Latino and African American males
- Establish clearly defined exit strategies for students who no longer need services
- Designate a Cabinet-level staff member to help eliminate silos that serve to create barriers to effective management of special education services

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

- Follow through on the extensive programmatic review of special education already begun by the District

## Summary of Significant Findings and Recommendations

### Issues for Immediate Action

Savings in Millions	Issue
Upwards of \$400	Offer an early retirement program to reduce staffing at the senior levels and reduce future staffing costs.
\$100	Negotiate a cap on District health care expenditures to reflect the decline in the number of students and staff. Plan changes might be needed periodically to avoid exceeding the cap.
\$45	Increase attendance rate to the statewide average, by creating a task force of school, city law enforcement, and judicial representatives to focus on improving attendance at the poorest attended schools and grades.
\$23.2	Reduce Workers' Compensation premiums to the Statewide average per ADA.
\$50	Eliminate General Fund contribution for Food Services.
\$57	Implement 90/10 contribution rate health benefit plan.
\$10	Eliminate the Teacher Pool.
Indeterminate	Review KPI, CADIE, and SABRE data in a public Board meeting at least twice a year.
Indeterminate	Re-staff schools mid-year to reduce staff or reallocate staff as student enrollments change.
\$685.2	Total Savings

### Issues to which the District Must Adapt or Accommodate

	Issue
	Study loses of enrollment to charter schools, other districts, and private schools and emulate the programs that parents believe are only offered by charter schools.
	Study the successes of extraordinary schools within the District to learn from within the District and adopt their strategies throughout the District.

### Issues for Further Study

	Issue
	Complete extensive programmatic review of Special Education already begun by the District.
Upwards of \$12 million	Study further the operational metrics of the District's current warehousing and logistics support functions to determine if other means of provisioning high volume, low unit price office, art, medical, physical education, custodial, and maintenance supplies afford lower cost and more efficient services to schools and departments.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

	<b>Issue</b>
	Review the total expenditures for information technology.
Upwards of \$25 to \$50 million	Explore risk financing techniques, including loss portfolio transfers, excess and aggregate cover and captive financing.
	Review its payroll operations to improve effectiveness and efficiency.
	District should engage schools in the improvement of attendance and other cost-savings identified in this report for students and staff with the expectation that the local schools and the District would benefit from any increase in revenues.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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## Report of the Independent Financial Review Panel

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### Scope of the Report

The purpose of this report is to provide the Superintendent with an independent assessment of financial challenges and potential responses for the Los Angeles Unified School District. Panel members have broad, high-level experience and bring a variety of perspectives to bear on the review. Collectively, the panelists represent the highest-level thinking on the most important topics facing the state and the District.

The Superintendent emphasized that the staff provides adequate information of the day to day issues that face the District. The panel was asked to focus on longer-term issues, both internal and external to the District. Beyond that guidance, the panel was empowered to independently select areas for discussion, narrow the issues to the ones the panel felt were most critical, and to offer recommendations as the panel believed were appropriate. The Superintendent, as quoted below, specifically requested that the panel focus its efforts on four broadly based areas:

- “I wish this panel to focus on the challenges this District faces in restoring a path to fiscal sustainability. Specifically, I would like the panel to consider the following:
  - Revenue challenges and opportunities, including planning for the new LCFF revenue model and the District’s enrollment decline.
  - Our expenditure challenges, including labor costs such as increased pension and health benefit costs, and program costs such Special Education.
  - Benchmarking and lessons learned from our program successes and from the experiences of other school districts or other public entities.
  - Finally, I would like this panel to consider the strategies necessary to sustain the sound financial management of the District.”

This report is organized by revenues and expenditures, with a focus on sound long-term financial practices and as well as benchmarking opportunities to recognize the four areas identified by the Superintendent. To that end, individual panel members suggested topics about which they wanted to become more informed. The facilitators arranged presentations and briefing for the panel and encouraged full, open discussion by the panel members. Information was provided to the panel on each topic requested so the panel could assess the importance of that topic and decide whether it was to be included in the report.



# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

No areas of the District's financial condition or outlook were "off-limits." The panel was given access to all data requested, with the exception of specific information pertaining to the racial breakdown of special education students and how that has changed over time.

One area, the gathering of public comments, deserves explanation. The panel believes the District should seek broad public input regarding all areas of this report. However, the panel believed it was far beyond the scope, timeline and resources available to the panel for the panel to actually do this very important community outreach. Should the District choose to move forward on the panel's recommendations in any area, the panel believes that the District should conduct that outreach at that time.

## Methodology

The methodology used was the convening of a series of meetings of the panel. Agendas for the meetings are included at Appendix A. The meetings were targeted at three week intervals for the purpose of allowing panel members to independently examine topics and data and to allow staff to be responsive in providing materials and arranging presentations on the various topics.

The panel chose to use a series of sub-committees to focus on particular topics chosen for closer examination. The sub-committees reported back to the full panel the results of their detailed reviews thereby keeping every panel member engaged and informed on every issue.

Final selection of the topics to be presented for consideration by the Superintendent were made and findings and recommendations were drafted for each of those areas.

## Focus Area 1: Revenues

*"Revenue challenges and opportunities, including planning for the new LCFF revenue model and the District's enrollment decline."*

In order to become informed regarding the revenue and enrollment challenges facing the District, the panel requested and received presentations on the following topics:

- History of school finance (SSC)
- The Local Control Funding Formula (SSC)
- The Local Control and Accountability Plan (SSC)
- Actual graduation and dropout rates (LAUSD)

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

- The District's attendance and enrollment history and projections (LAUSD)
- LAUSD policy presentations (LAUSD)
- Charter schools (LAUSD)
- Other resource materials
  - What Does Good Attendance Look Like?—<http://bit.ly/1PTQqKw>
  - The Effects of Attendance on Academic Achievement for Elementary and Middle School Students—<http://bit.ly/20el4kk>
  - The Effects of Attendance on Academic Achievement for High School Students—<http://bit.ly/1KJkAbw>
  - School Attendance is the Key to a Successful Future—<http://bit.ly/20elyHc>

## Areas Chosen for Exploration

### Student Attendance and Graduation Rates

The panel chose to focus on the area of student attendance for two very important reasons. First, the single most important factor in student performance is how much time students spend with highly effective teachers. Second, attendance is also the single most important driver of District revenues; more than 90% of district revenues are based upon actual attendance of students. For these reasons, the panel believes that both improving the performance of students and maintaining District financial solvency are served by focusing on this important area.

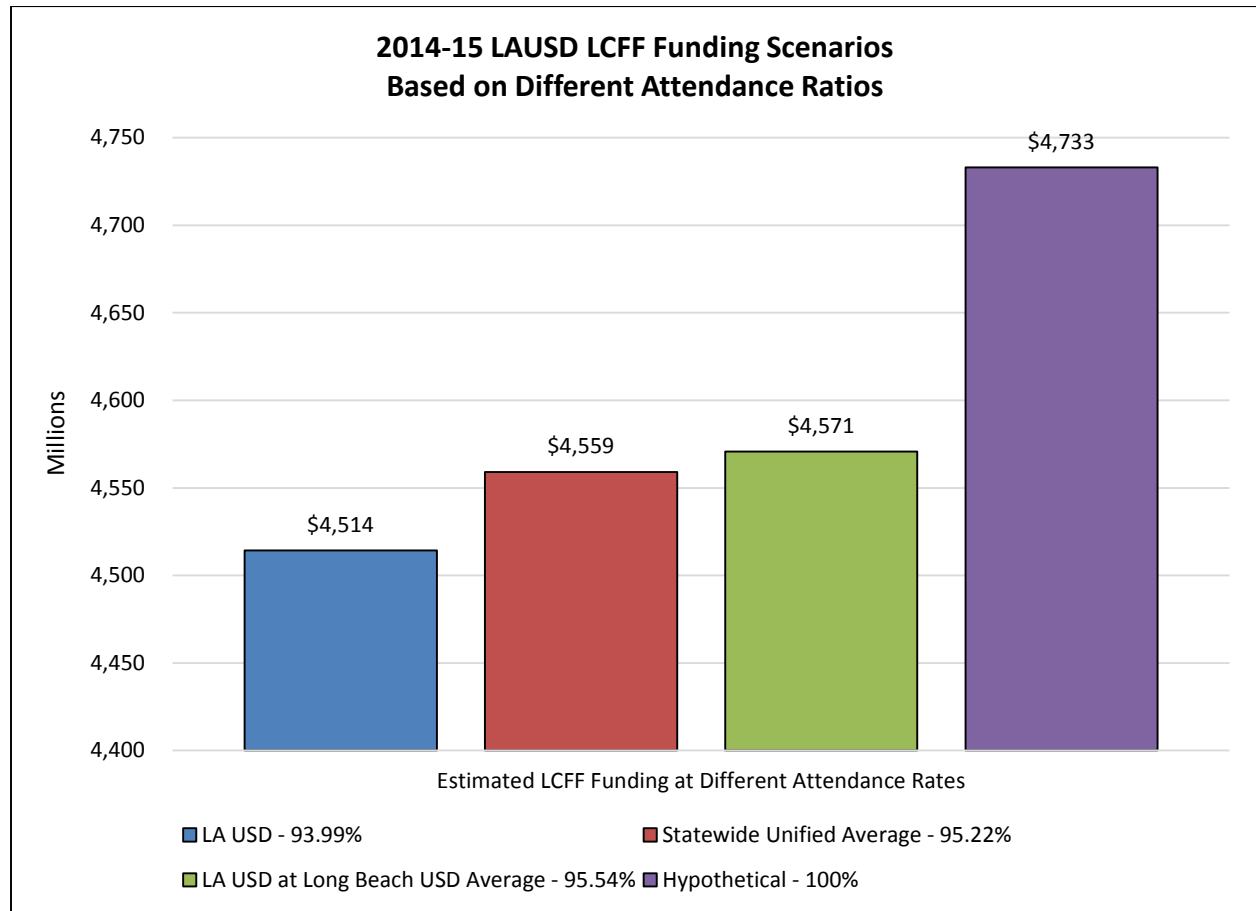
### Declining Enrollment

Data provided to the panel made it crystal clear that attendance, measured by units of ADA, is an issue that will be a factor in District performance for the foreseeable future. Each enrolled student generates costs for the District, but only the students who actually attend on any given day generate revenue. The panel found that the District is very similar to other large districts in terms of its enrollment to attendance ratio being maintained at just below the statewide average of 95.2%. Moving from its current ratio of 94% to the statewide average of 95.2% would generate an additional \$45 million per year in LCFE revenue for LAUSD.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

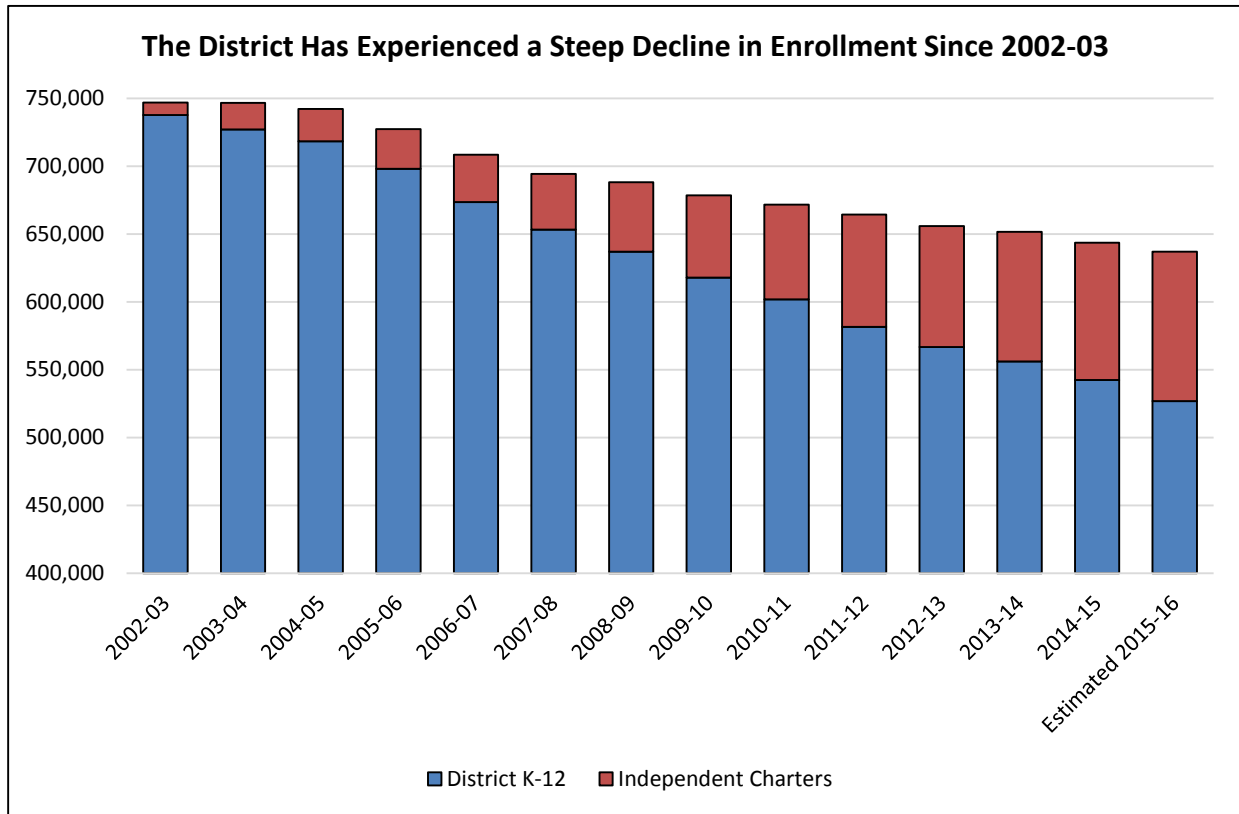


The panel also found that the District enrollment had declined by almost 100,000 students between 2007-08 and 2013-14. This decline in enrollment has caused the District to lose more than \$100 million per year on an ongoing basis. However, the District continues to decline in enrollment so it can be expected that the loss of revenue will be exacerbated in the future.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015



In addition to the dollars lost, the District has lost the opportunity to directly affect the education of almost 100,000 students. Some of these students remain in the local area and attend charter schools within the area. But it is harder to maintain visibility of the enrollment patterns of students who have left LAUSD entirely. Nonetheless, if LAUSD is to maximize its resources and its educational opportunities over the longer term, it must confront the issues that cause declining enrollment and deal with them in a timely manner.

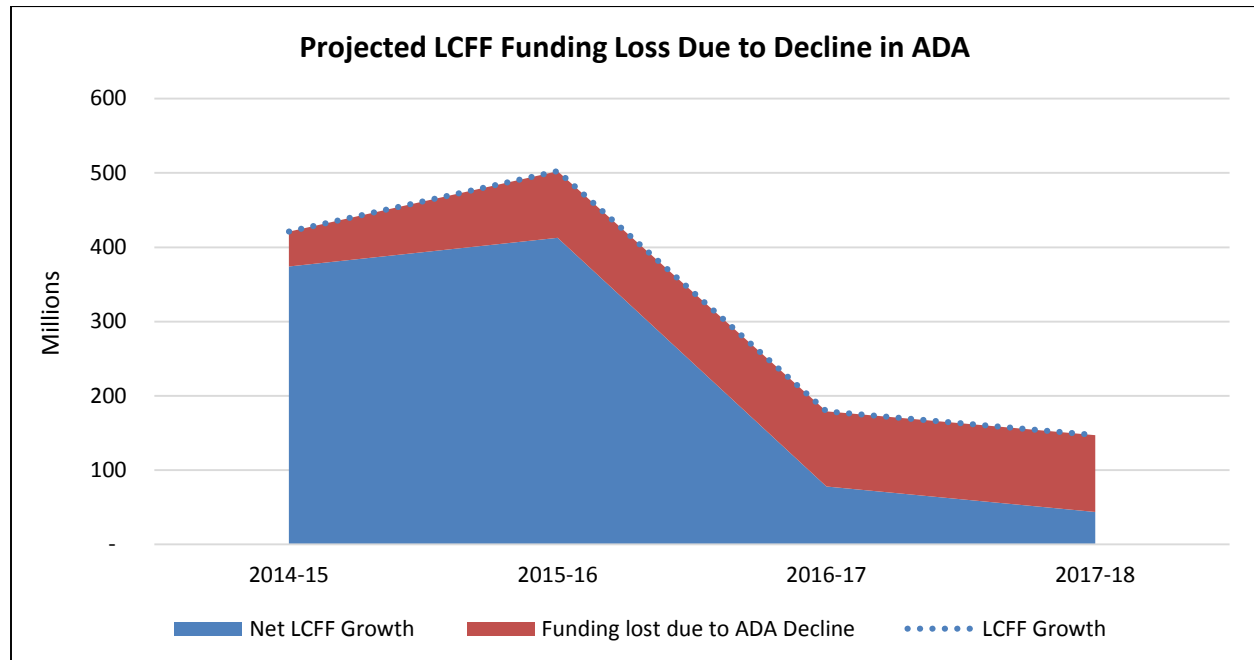
The LCFF has provided and will continue to provide an influx of new revenues as the state continues to implement the new funding formula. As of the 2015-16 fiscal year, LAUSD is approximately 91% of the way to full implementation. Given the District’s proximity to its target and the estimated slowdown in implementation of the LCFF, future years will likely see smaller revenue growth year over year.

However a loss of revenues due to lower enrollment and a lower-than-average attendance ratio will offset many of the new revenues gained under the LCFF. It is estimated that in 2017-18, more than 70% of the new LCFF revenues received will be offset by the loss of revenues due to the estimated decline in ADA.

# Los Angeles Unified School District

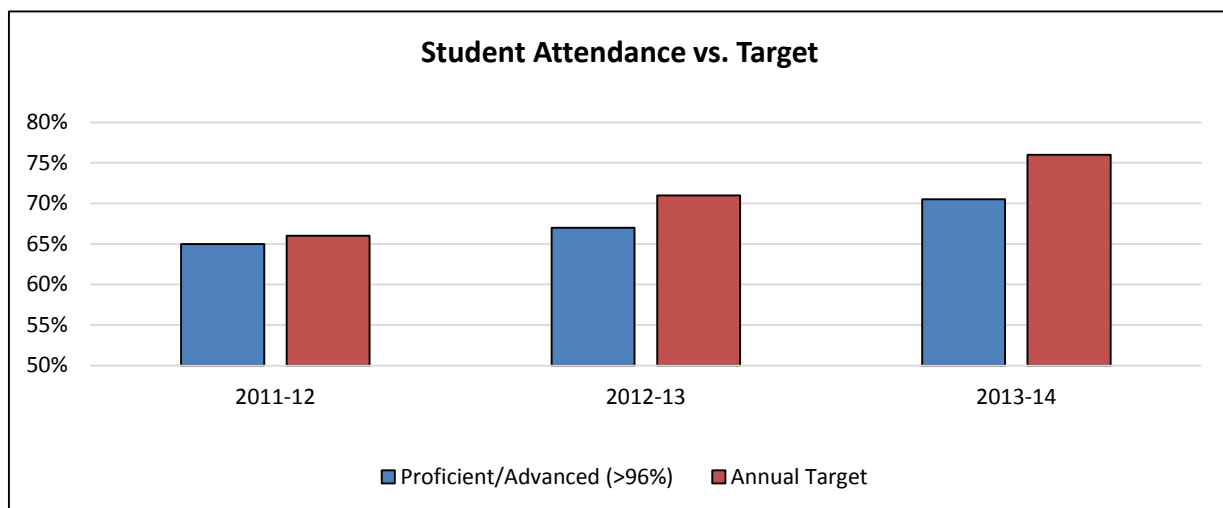
Report of the Independent Financial Review Panel

November 10, 2015



Recognizing the necessity of reducing the decline in enrollment improving the District’s attendance ratio, in 2011 the District instituted an Attendance Improvement Program that targets the grade levels and schools with the lowest rates of attendance. Key elements of the program include:

- Use of Attendance Improvement Counselors at selected schools
- A focus on reducing chronic absenteeism
- Use of the School Attendance Review Board (SARB) process



# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

Proficient/Advanced is defined as students who have an attendance rate of 96% or higher. In 2011, when the Attendance Improvement Program was implemented, the only 65% of students met the definition of Proficient/Advanced, with a district-wide goal of 66%. In the two subsequent years, the district-wide goal was increased by 5% each year, with demonstrable improvements in the percentage of students meeting the Proficient/Advanced goal.

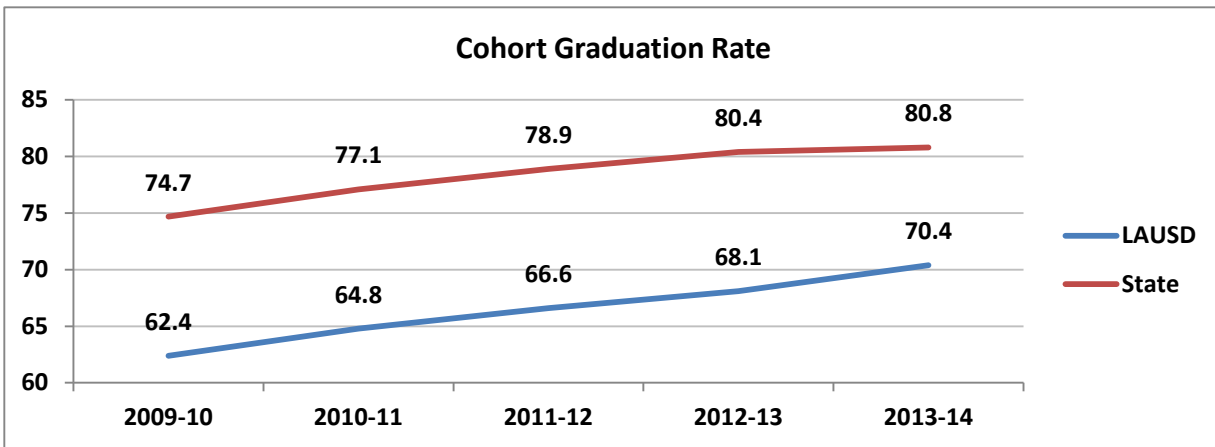
The District reports that initial results from the program are promising. However, while the District is enjoying measurable improvements in attendance rates, the effect of declining enrollment offsets all of the gains and more.

## Graduation and Dropout Rates

The attainment of a high school diploma is a gateway to higher education, entry into the workforce, and becoming a full participant in our democratic society. Therefore one of the most important measures of District success revolves around graduation rates and its reciprocal dropout rates.

The District maintains a significant amount of information regarding graduation and dropout rates. There are a number of methodologies used to determine and explain dropout rates. The District has chosen to focus on using the Four-Year Adjusted Cohort as a primary measure of progress. This measure starts with a defined group or “cohort” of students in grades 9-12 and then adjusts for transfers in and out and compares the resultant number to actual graduations during a four-year period.

During its review, the panel was provided with data that showed two major trends. First, the District is consistently more than 10 percentage points below the statewide average four-year graduation rate of about 80%. Second, while both the District and the state continue to improve the graduation rate, this 10% gap has shown only minor improvement.



# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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## Findings and Recommendations

As a result of its investigation of the topic of student attendance, the panel offers the following recommendations:

- A comprehensive review and development of a definitive plan for improving attendance by school and by grade and implement a resulting blueprint with the goal of improving attendance rates.
- District should engage schools in the improvement of attendance for students and staff with the expectation that the local schools and the District would benefit from any increase in revenues.
- A coalition of school, law enforcement, and judicial representatives examine ways to focus on improving attendance at the poorest attended schools and grades.
- A parent information campaign to instill in parents an understanding of the laws relating to school attendance and the pivotal role attendance plays in student success.
- Study losses of enrollment to charter schools, other districts, and private schools and emulate the programs that parents believe are only offered by charter schools.
- Implement an aggressive dropout prevention program with an initial goal of reducing dropouts from roughly 17% to the statewide average of 11%, and an ultimate goal of the lowest dropout rate among large urban districts.
- Study the successes of extraordinary schools, such as the 22 schools recently recognized as California Blue Ribbon Schools, within the District to learn from within the District and adopt their strategies throughout the District.
  - *One example is Young Oak Kim Academic, with 87% of its student population identified as economically disadvantaged, the school has an attendance rate of 98.3%.*
- Improve attendance monitoring for vulnerable populations, including English learners and lower-income students.
- Adopt practices of revenue management that include:
  - Advocacy for adequate funding by the state of California, even at full implementation of the LCFF LAUSD will be funded at a lower level than most large urban districts across the nation.

## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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- Continual review of external barriers to revenue generation, for example, the District may have limited control of losses of students to charter schools, but it should forecast the loss of revenue and adjust spending patterns as required to deal with the loss of revenue.
- Maximization of revenue opportunities provided under the LCFF including maintaining enrollment and improving attendance rates.
- Stringent internal management of all revenues. The District is receiving substantial new revenue to support traditionally underserved students and all new revenue should be directed to the District's highest priority needs.
- Establishment of a model that holds the District and its managers accountable for management of revenues. Every manager is responsible for ensuring that students and the tax payers get fair value for every dollar spent.
- Advocate for full funding of the IDEA by the federal government.
- Adoption of technologies to more efficiently manage revenues and produce timely, accurate, relevant fiscal and management information.
- Advocacy for statewide change to lowering the vote threshold necessary for passage of a parcel tax.
- Board consideration of a parcel tax.



# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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## Focus Area 2: Expenditures

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*“Our expenditure challenges, including labor costs such as increased pension and health benefit costs, and program costs such Special Education.”*

In order to become informed in this area, the panel requested data and presentations on the following topics:

- Staffing levels and procedures
- Comparative compensation data, particularly for teachers
- Special Education identification procedures, service levels and costs
- Services for undocumented immigrants

As the panel reviewed the requested data and presentations, the panel was keenly aware of benchmarking opportunities where the District would be able to learn from its own successes as well as from the experiences of other local education agencies, both nationally as well as within the state.

*“Benchmarking and lessons learned from our program successes and from the experiences of other school districts or other public entities.”*

The panel reviewed a number of KPIs to compare LAUSD to other large districts in the nation. These KPIs were developed by The Council of the Great Cities Schools, of which LAUSD is a long-time member, and TransAct, Inc. Development and refinement of the measures has been accomplished over a period of more than ten years and the areas to be measured, the methodologies of the measurements, and the technology employed have all been validated by the Council and its participating member districts.

The panel reviewed many of the individual KPIs in order to identify broad areas where LAUSD was an outlier, a performance far from the mean. Those areas may provide a basis for goal setting and for benchmarking improvements over time. While the District did extremely well compared to its peers in some areas such as with effective cash management, low debt ratios, fast processing of grant receivables, low misconduct instances, and great teacher retention (see Appendix B for more detail), the Task Force decided to focus on the largest deficiency areas for opportunity for the District in the data below.

In addition to the KPIs reviewed, the panel also review CADIE and SABRE reports provided by SSC. These measurements focus on California school districts, but only the largest urban districts identified below were used for comparison.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

County	Local Education Agency
Fresno	Fresno Unified School District
Los Angeles	Long Beach Unified School District
Orange	Capistrano Unified School District
Orange	Garden Grove Unified School District
Orange	Santa Ana Unified School District
Riverside	Corona-Norco Unified School District
Sacramento	Elk Grove Unified School District
San Bernardino	San Bernardino City Unified School District
San Diego	San Diego City Unified School District
San Francisco	San Francisco Unified School District

Finally, the District has amassed a wealth of comparative data that compares the District performance longitudinally over time and allows the District to identify and respond to trends.

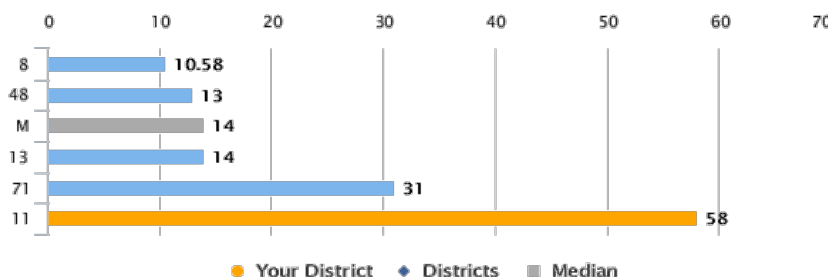
*“Finally, I would like this panel to consider the strategies necessary to sustain the sound financial management of the District.”*

As the panel reviewed information and data, the panel explored various strategies to place the District on a financial platform for long-term stability. Areas of discussion included increases in the employer contributions on behalf of the CalPERS and the CalSTRS members, costs associated with postemployment health and welfare benefits, and areas of business operations with a significant impact on the District’s fiscal wellbeing.

## Areas Chosen for Exploration

### Staffing and Benefits

#### 2013-14 Time to Fill Vacancies—Teachers



\*Average time to fill vacancies for teachers.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

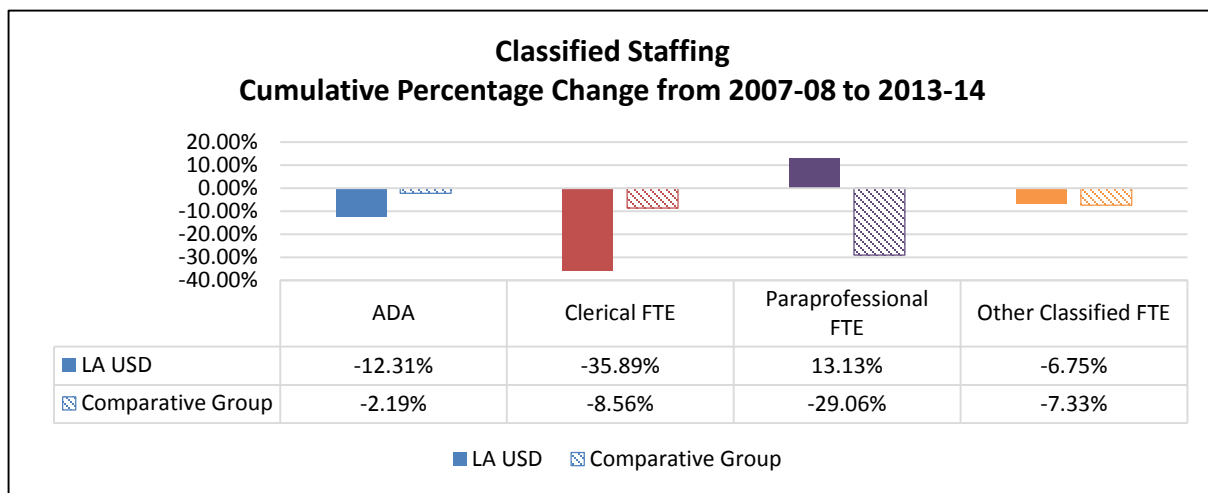
November 10, 2015

This measure reflects the instructional loss when there is not continuity in the classroom and instructional support. In this case, the District is a low performer compared to the group averaging a total of 58 days to fill a teacher position.

## **Classified Staffing**

The panel reviewed classified staffing data prepared by SSC. The data compares the percentage change of staffing in a given year relative to the staffing in ADA for the District. A comparison group of large urban unified districts was selected to provide a comparative group to identify where the District’s staffing deviated from a statewide trend.

Data for these charts comes from data submissions to the CDE.

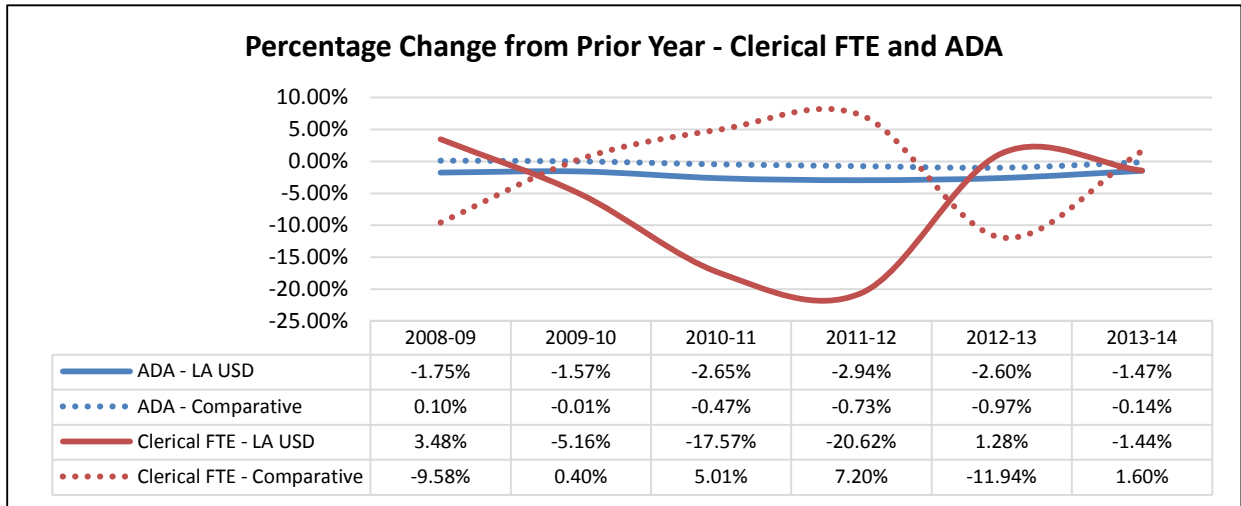


This chart shows the cumulative percentage change in different classified positions over a six-year period as well as the percentage in in ADA over the same period for LAUSD and a comparison group of large urban unified school districts in California.

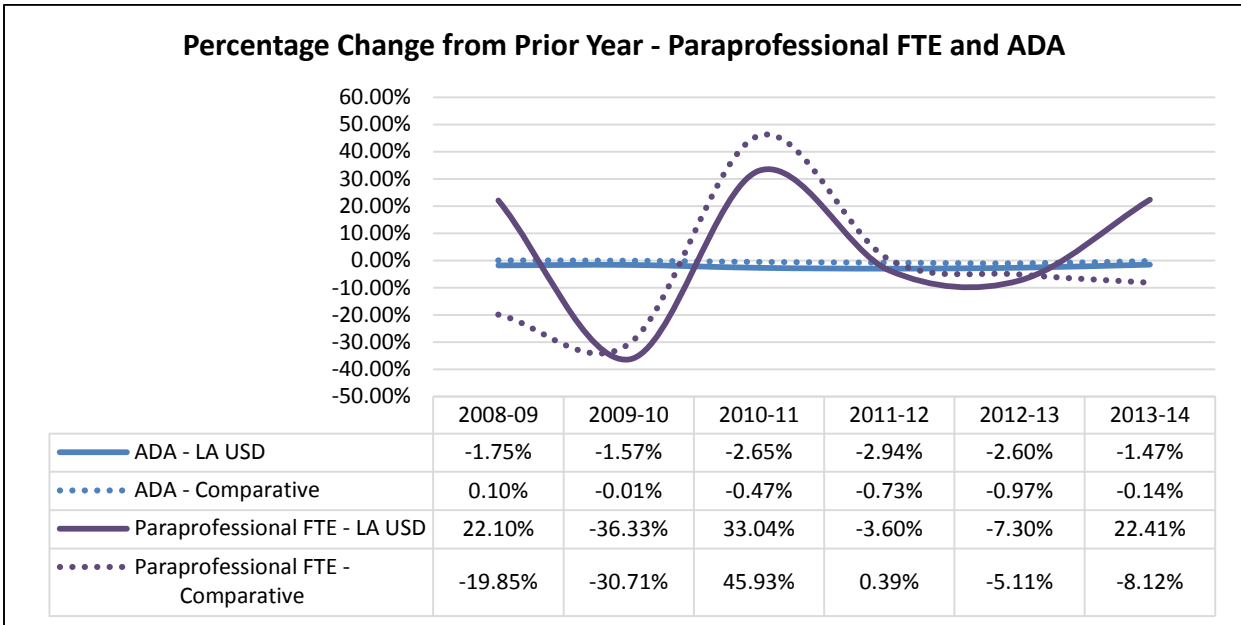
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015



The chart above shows the annual percentage change in clerical FTE positions over a six-year period as well as the percentage in in ADA over the same period for LAUSD and a comparison group of large urban unified school districts in California. The District’s classified clerical staffing appears to have dropped significantly during the period, but have grown in the past two years.

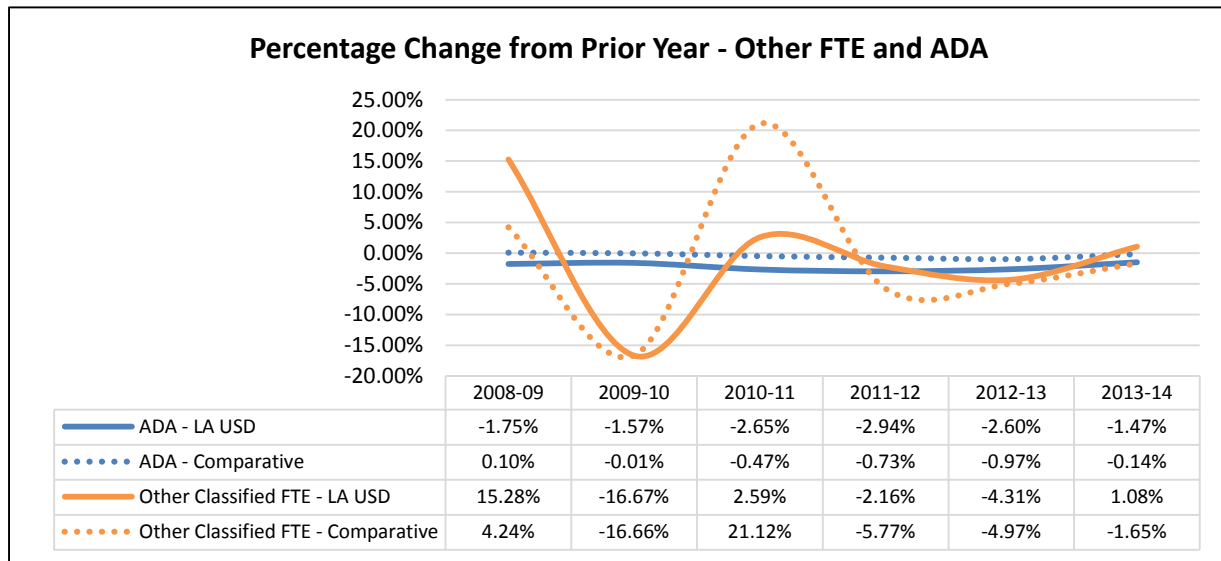


The chart above shows the annual percentage change in paraprofessional FTE positions over a six-year period as well as the percentage in in ADA over the same period for LAUSD and the comparative group of large urban unified school districts in California. The District change in staffing over the period relatively mirrors that of the comparative group, though the District has added paraprofessional staff in 2013-14 while the comparative group saw a slight decline.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015



The chart above show the annual percentage change in other classified FTE positions over a six-year period as well as the percentage in in ADA over the same period for LAUSD and the comparative group of large urban unified school districts in California. The district change in staffing over the period relatively mirrors that of the comparative group, though the District has added fewer other classified staff in 2010-11 than the comparative group.

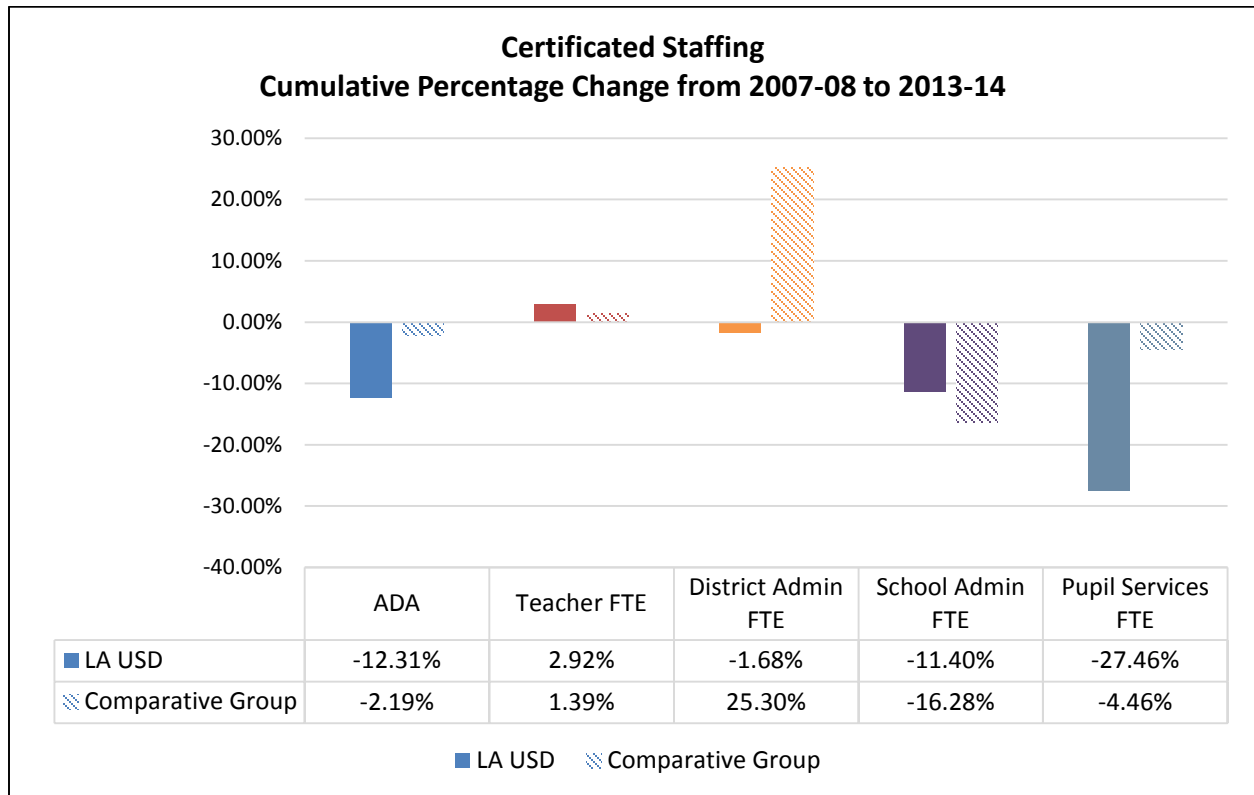
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

## Certificated Staffing

The panel also reviewed certificated staffing data prepared by SSC. The data compares the percentage change of staffing in a given year relative to the staffing in ADA for the District to the average of the comparative group of large, urban unified districts.



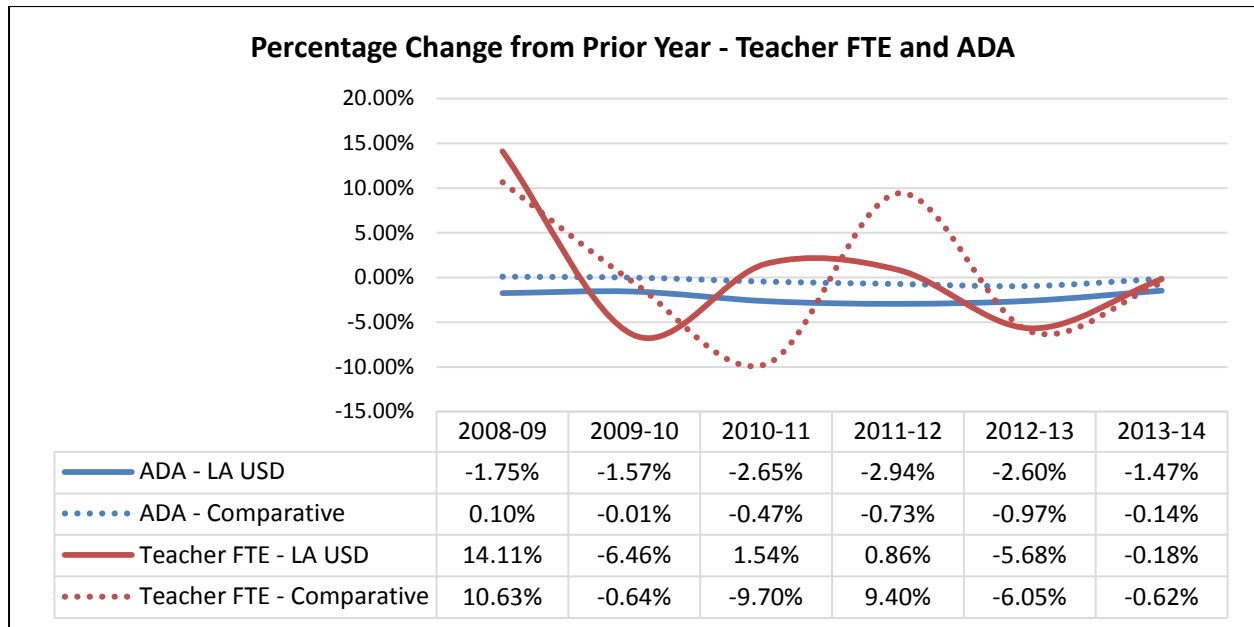
This chart above shows the cumulative percentage change in different certificated positions over a six-year period as well as the percentage in in ADA over the same period for LAUSD and a comparison group of large urban unified school districts in California.

During the six-year period, all certificated staff except for teachers showed a reduction in the number of staff.

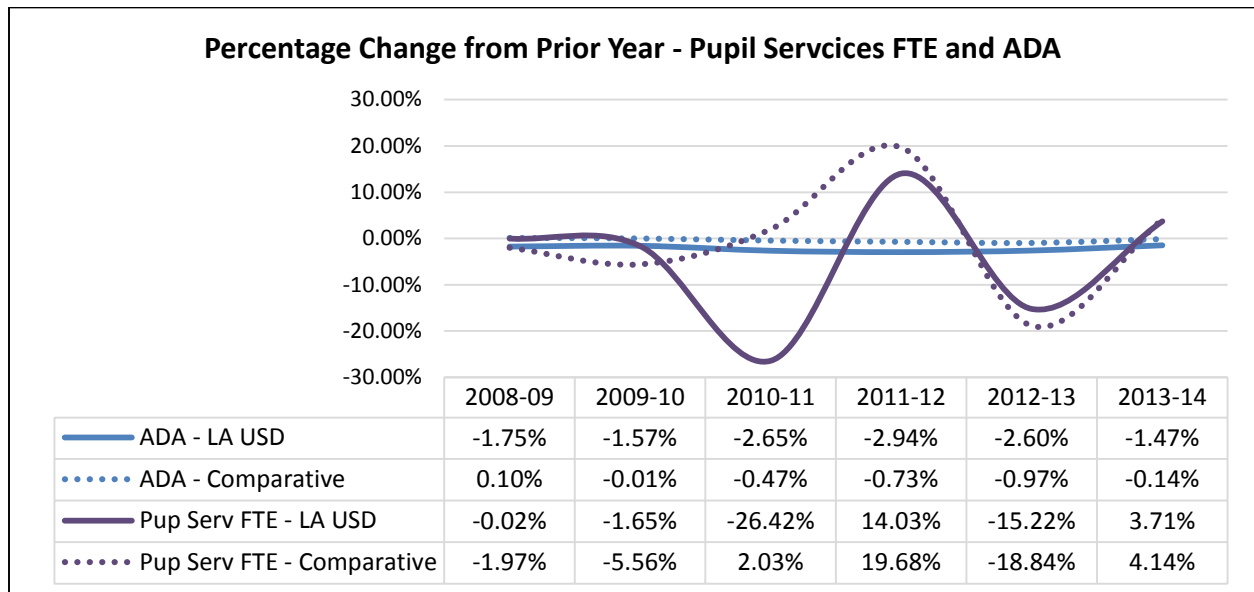
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015



In the first year of the great recession, the number of teacher FTEs dropped by almost 6.5%, but then remained relatively stable for the next two years. During the same period, the comparative group experienced a more volatile change in their teacher staffing patterns.

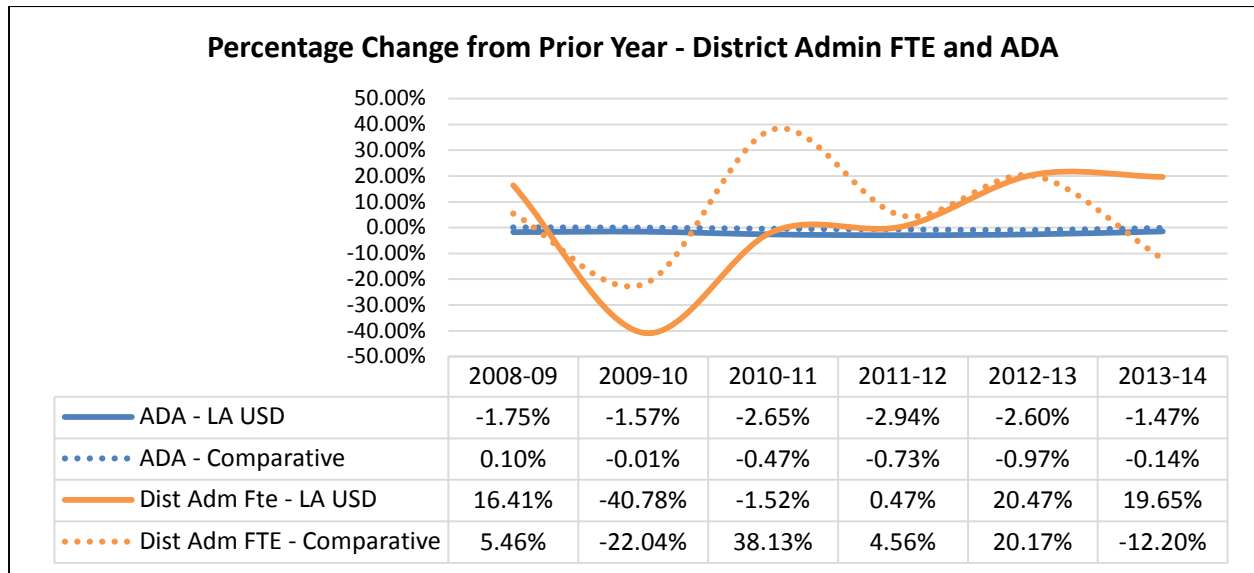


In 2010-11, the number of pupil services FTEs dropped by more than 25%. While there was an increase in the number of FTEs in the subsequent year, 2012-13 saw another 15% decline in the number of FTEs for a cumulative loss of more than 27% from 2007-08 to 2013-14 in pupil services FTEs.

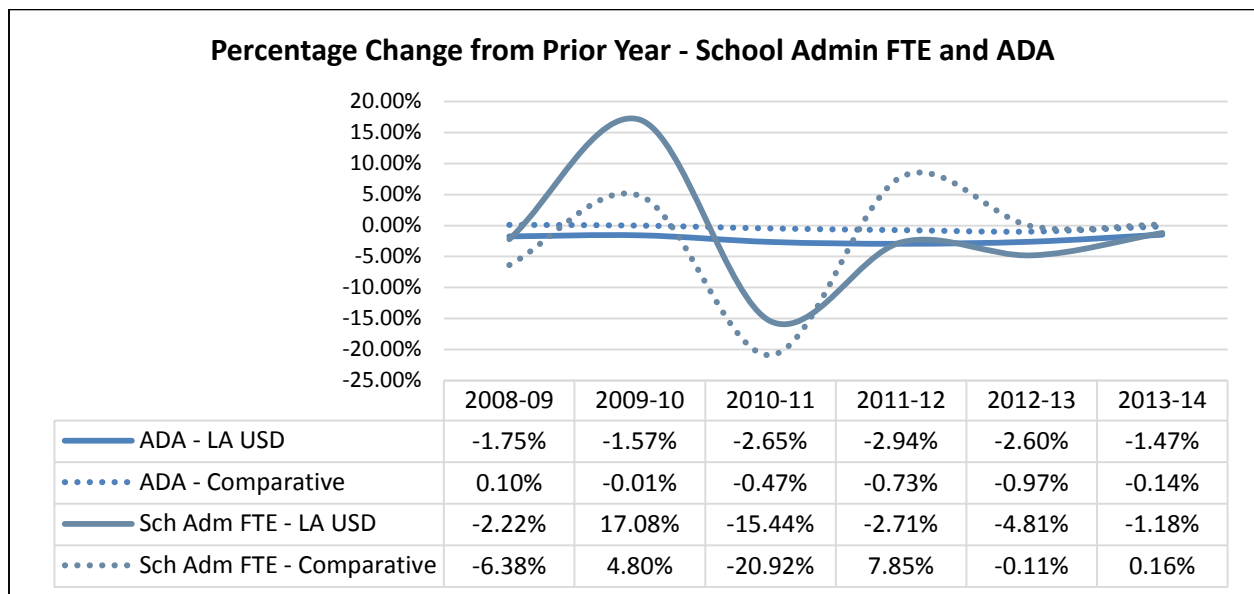
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015



District administration FTE for the District follows a similar trend as the comparative group, though in 2012-13 there was an increase District administration, while the comparative group experienced a decrease. The net effect of this upswing is to almost bring the District back to where it was six years earlier. By comparison, District administration FTE for the comparative group grew by 25% over the same period.



As with District administration, school administration FTE for the District follows a very similar pattern to that of the comparative group, with both the District and comparative group experiencing increases in school administration FTE in 2009-10, with subsequent decreases the following year.



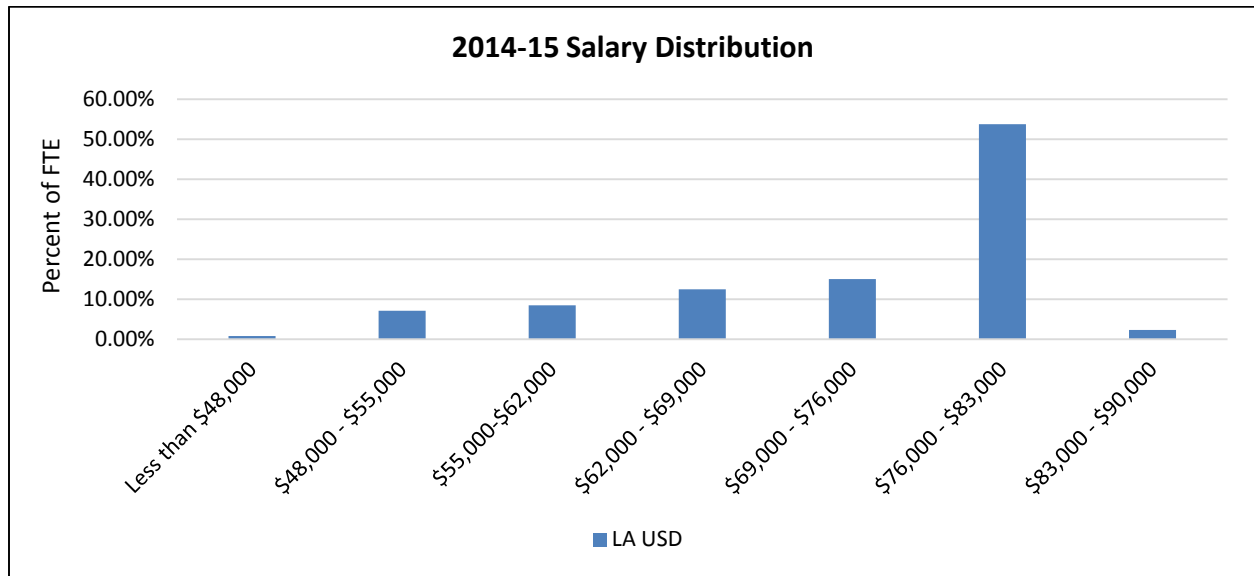
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

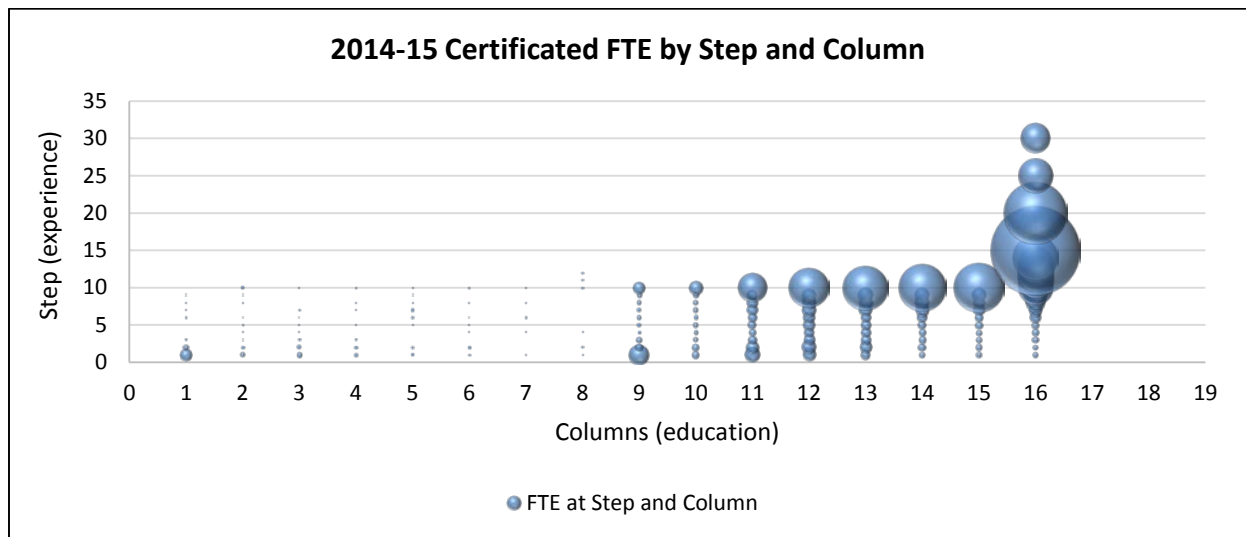
November 10, 2015

## Certificated Salaries

A significant portion of the District’s certificated FTE are near the top of the salary schedule, with more than 56% of the teachers in the District making more than \$76,000. In a typical district, the bulk of the certificated FTE will be within the middle salary bands of a district.



Of the roughly 25,700 certificated FTE reported in the 2014-15 J-90 certificated salary survey, more than 70% of the certificated, non-management personnel, such as teachers and nurses, earn more than a teacher with 10 years of service with the District.

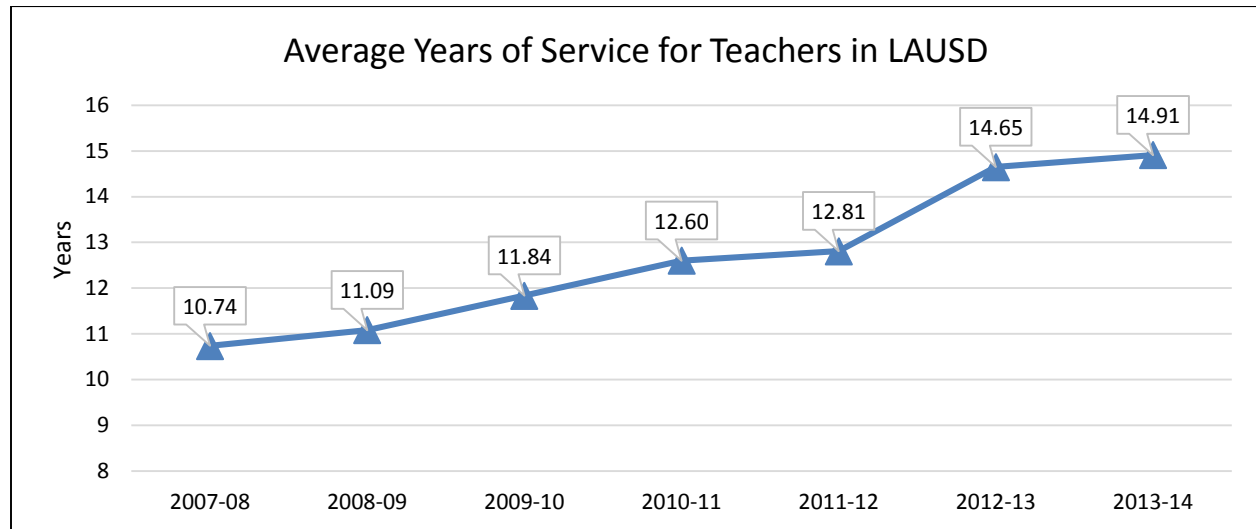


This percentage is likely to continue to grow as the average number of years of service teachers in the District has increased from almost 11 years in 2007-08 to almost 15 years in 2013-14.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

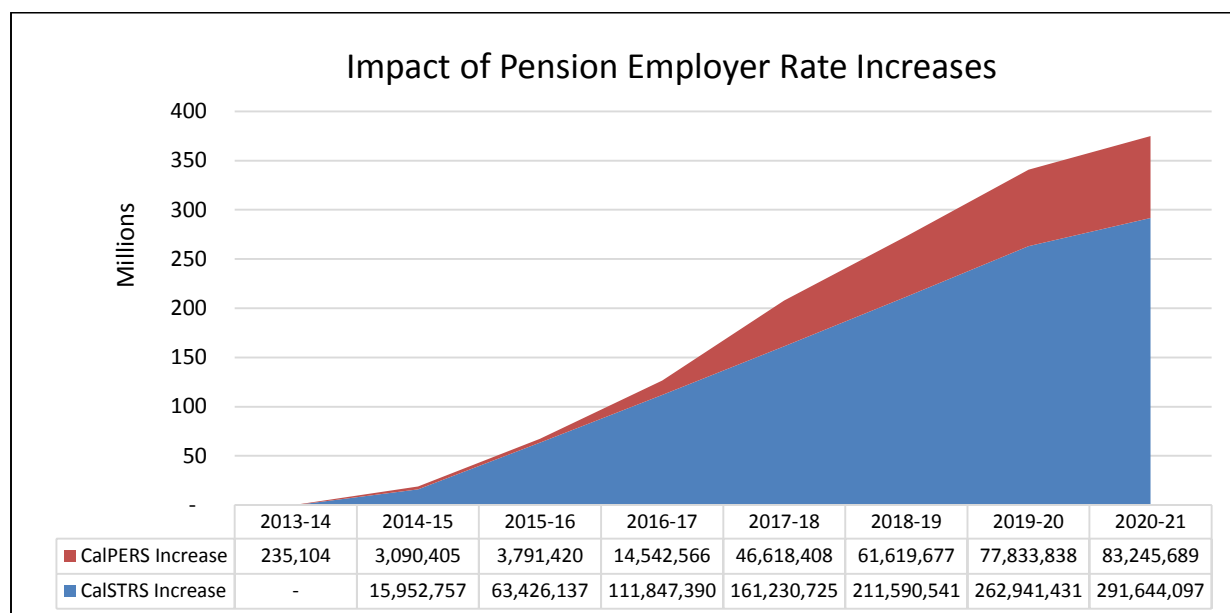
November 10, 2015



## Pensions

CalPERS and CalSTRS pension reforms have brought increased costs to the District. These reforms have increased the employer contribution for pension-eligible salaries, bringing a new long-term expense to the District. The chart below shows the total cost of both the CalPERS and CalSTRS employer contribution increases through 2020-21, when the new employer-contribution rates are fully implemented.

In 2017-18, it is estimated that the \$84.6 million in additional costs associated with the increased pension employer contributions from the prior year will exceed the amount of net new revenues generated by the LCFF as a result of declining ADA.



# Los Angeles Unified School District

Report of the Independent Financial Review Panel

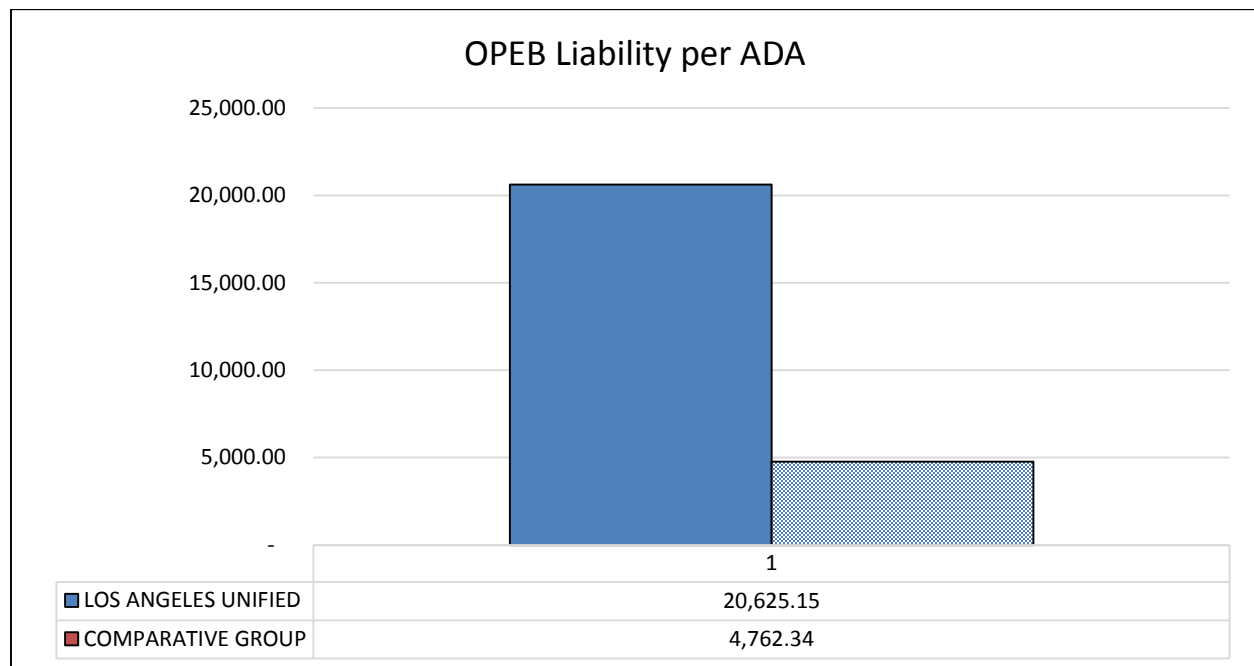
November 10, 2015

CalSTRS Rates		
Fiscal Year	CalSTRS Employer Rate	Cumulative Change Due to CalSTRS Rate Change (\$ Millions)
2013-14	8.25%	\$0.0
2014-15	8.88%	\$15.9
2015-16	10.73%	\$63.4
2016-17	12.58%	\$111.8
2017-18	14.43%	\$161.2
2018-19	16.28%	\$211.6
2019-20	18.13%	\$262.9
2020-21	19.10%	\$291.6

CalPERS Rates		
Fiscal Year	CalPERS Employer Rate	Cumulative Change Due to CalPERS Rate Change (\$ Millions)
2013-14	11.44%	\$0.2
2014-15	11.77%	\$3.1
2015-16	11.85%	\$3.8
2016-17	13.05%	\$14.5
2017-18	16.60%	\$46.6
2018-19	18.20%	\$61.6
2019-20	19.90%	\$77.8
2020-21	20.40%	\$83.2

## Other Postemployment Benefits (OPEB)

The District’s OPEB liability is significantly higher than that of other large urban unified school districts. Much of this is due to the lifetime nature of the health care benefits. In 2013-14, the estimated OPEB liability per ADA was \$20,625—more than four times than that of the comparative group.

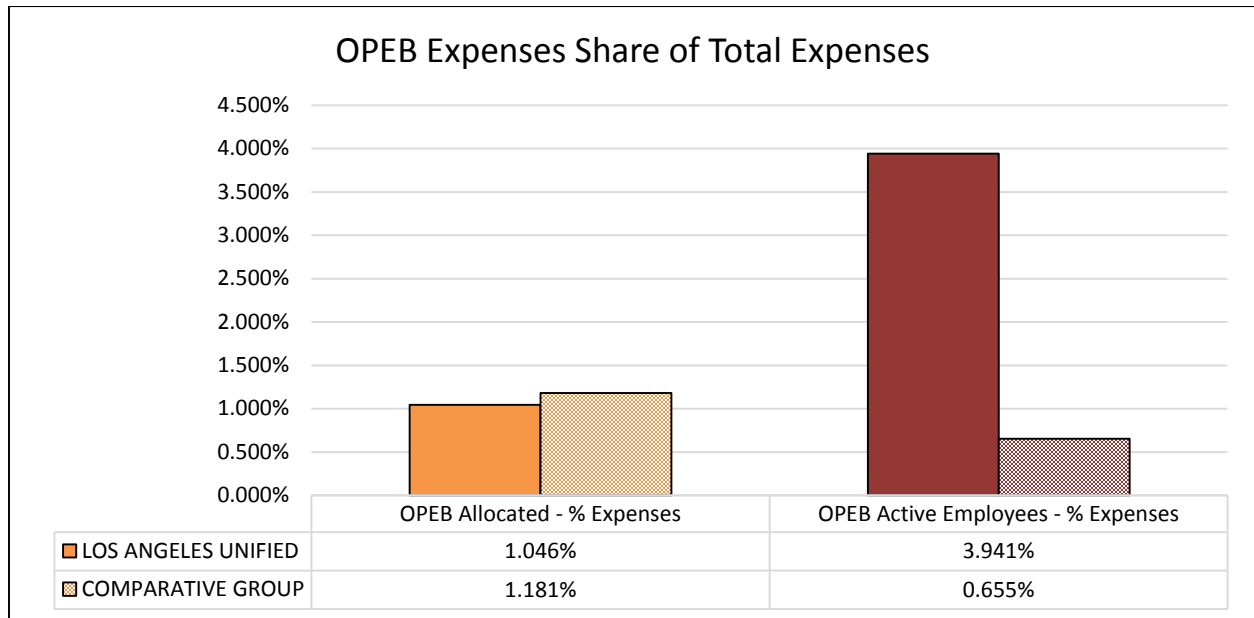


As the chart below shows, the District’s OPEB expenses for current retirees are comparable to the other districts in the comparative. For active employees though, the District has been proactive in funding the OPEB obligations, putting aside almost 4% of the District’s total budget for 2013-14.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

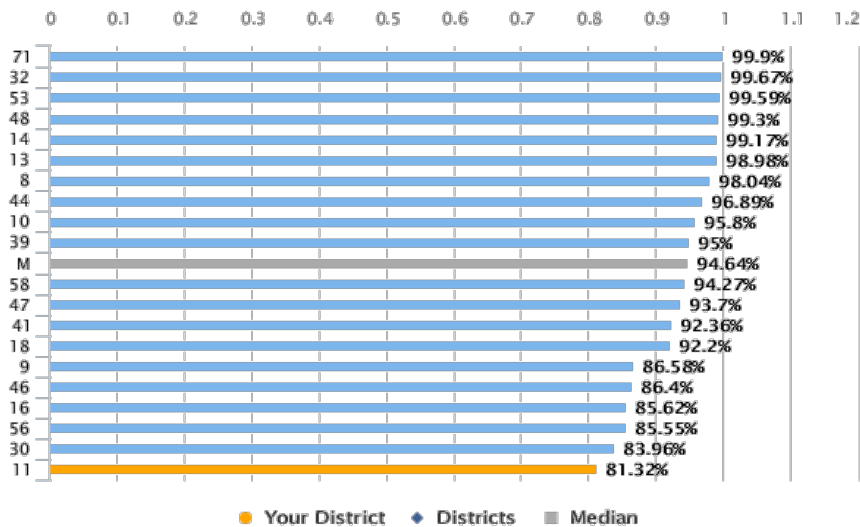
November 10, 2015



## Business Operations

### Payroll

#### Compensation – 2013-14 Pay Checks – Direct Deposits



www.actpoint.com

\*Calculated by the total number of pay checks paid through direct deposit, divided by the total number of pay checks issued.

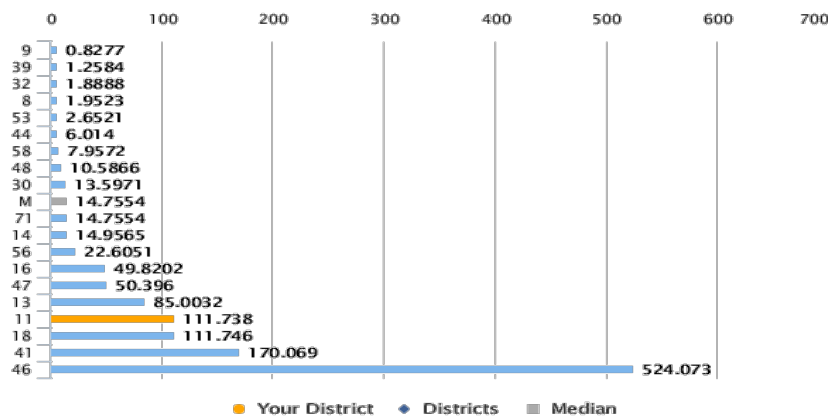
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

This measure is important as the use of direct deposit can increase the levels of automation and decrease costs. The factors that influence this measure are payment systems and pay check policies. In this case, the District ranks the lowest in the group at 81.32%.

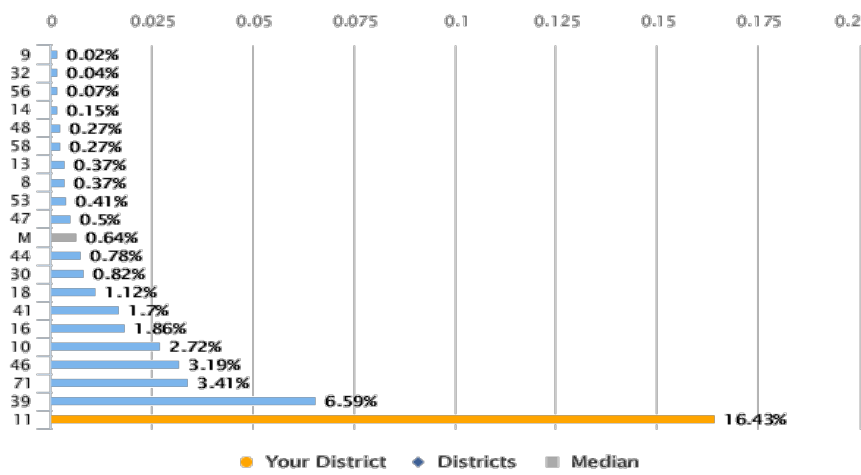
## Compensation – 2013-14 Pay Checks – Errors per 10,000 Payments



\*Calculated by the total number of pay check errors, divided by total number of pay checks handled by payroll department over 10,000.

This measure is important as high error rates can indicate a lack of adequate controls. The factors that influence this measure are: process controls, staff turnover, staff experience, payment systems, and level of automation. In this case, the District ranks higher than all but three districts in total number of pay check errors.

## Compensation – 2013-14 Pay Checks – Percent Off-Cycle



\*Calculated by the total number of off-cycle pay checks issued, divided by the total number of pay checks issued.

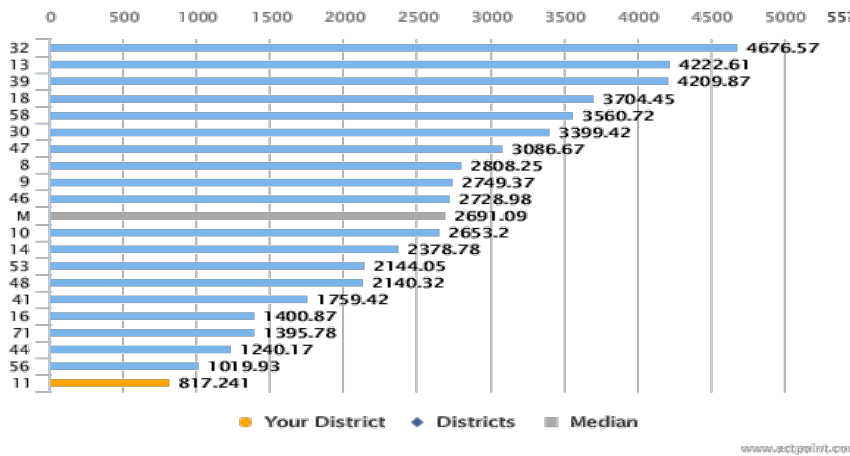
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

This measure is important as off-cycle pay checks tend to take more staff time, and are therefore, less efficient than regular-cycle checks. In this case, the District spends more time processing off-cycle pay checks than all of the comparative districts.

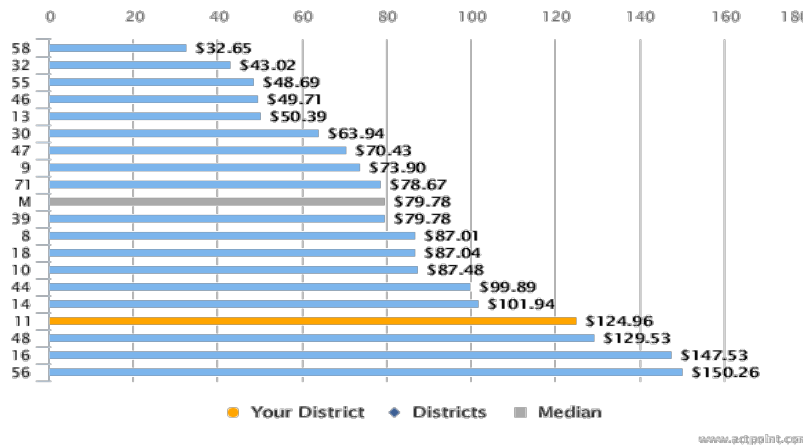
## Compensation – 2013-14 Pay Checks Processed Per FTE Per Month



\*Calculated by total number of pay checks processed by payroll department, divided by total number of payroll staff (FTEs).

This measure is a driver of a payroll department’s costs. Lower processing rates may result from a low level of automation, high pay check error rates, or high rates of off-cycle pay checks that must be manually processed. Higher processing rates may be the result of increase automation and highly competent staff. In this case, the District ranks the lowest in the group at 817.241.

## Compensation – 2013-14 Payroll Cost Per \$100,000 Revenue



\*Calculated by total payroll personnel costs plus total payroll non-personnel costs, divided by total district operating revenue over 100,000.

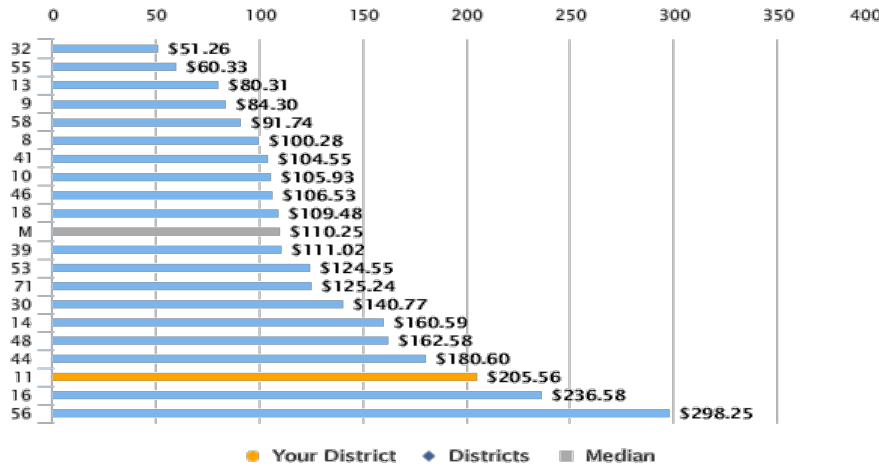
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

This measure helps evaluate the total cost of the payroll department relative to the total district budget. In this case, the District ranks higher than all but three districts at \$124.96.

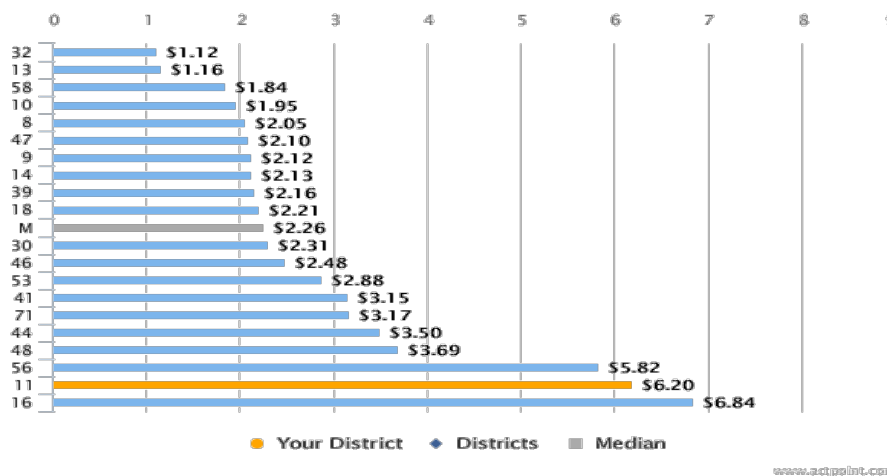
## Compensation – 2013-14 Payroll Cost Per \$100,000 Spend



\*Calculated by total payroll personnel costs plus total payroll non-personnel costs, divided by total district payroll spend over 100,000.

This measures the efficiency of the payroll operation. A higher cost could indicate an opportunity to realize efficiencies in payroll operation while a lower cost indicates a leaner, more efficient operation. In this case, the District ranks higher than all but two districts at \$205.56.

## Compensation – 2013-14 Payroll Cost Per Pay Check



\*Calculated by total payroll personnel costs plus total payroll non-personnel costs, divided by total number of payroll checks.

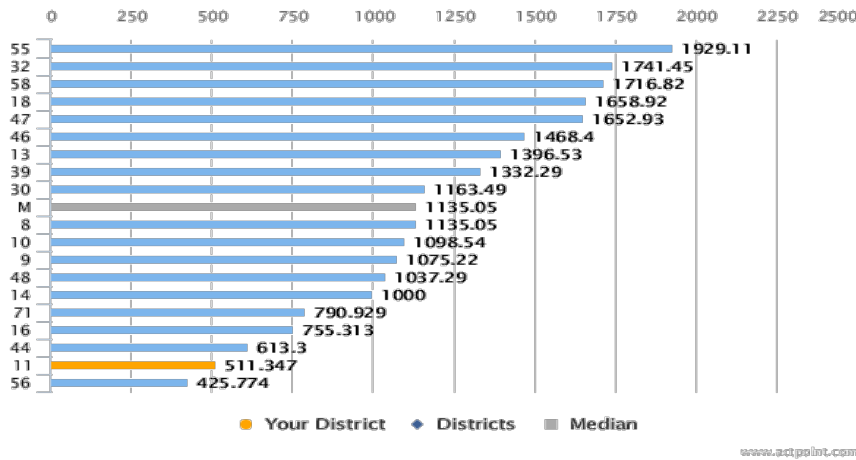
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

This measures the efficiency of the payroll operation. A higher cost could indicate an opportunity to realize efficiencies in payroll operation while a lower cost indicates a leaner, more efficient operation. In this case, the District ranks higher than all but one district at \$6.20.

## Compensation – 2013-14 Payroll Staff District FTEs Per Payroll FTE

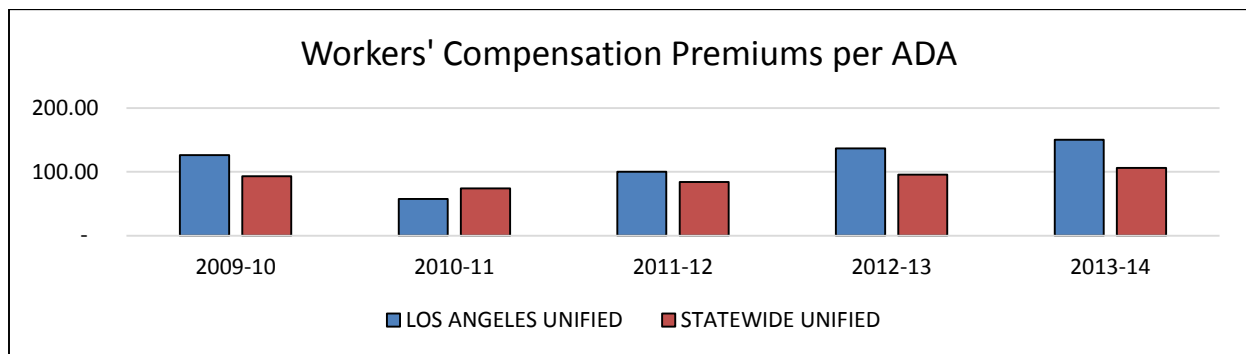


\*Calculated by total number of district employees (FTEs), divided by total number of payroll staff (FTEs).

This indicator evaluates the efficiency of the payroll operation and workload of each member of the payroll staff. Comparison with peer districts may produce opportunities to restructure the department or reintroduce time-saving practices. In this case, the District ranks the second lowest of the group at 511.347 FTEs.

## Workers' Compensation

Workers' Compensation costs have steadily grown in the past five years. Since 2010-11, the per-ADA rate for Workers' Compensation premiums has more than doubled, increasing from \$57.46 to \$150.09 in 2013-14. Had the District's per ADA rate for Workers' Compensation premiums been equal to the average statewide rate for a unified school district of \$106.08 per ADA, the District would have seen a savings of \$23.2 million in 2013-14 alone.



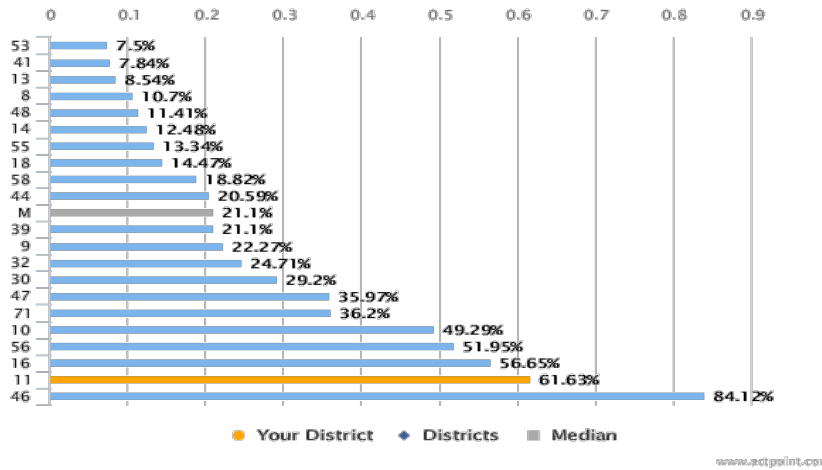


# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

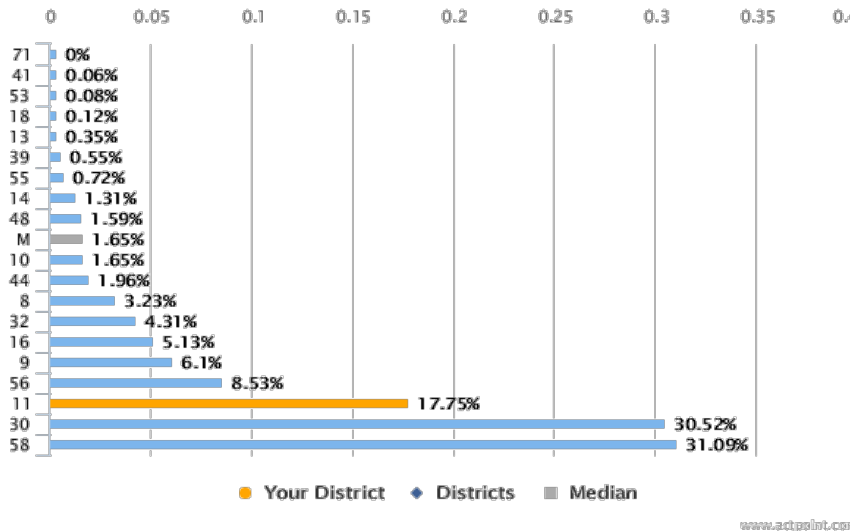
## Risk Management—2013-14 Workers’ Compensation Claims—Percent Indemnity



\*Number of Workers’ Compensation claims that were indemnity claims, divided by total number of Workers’ Compensation claims filed in the fiscal year.

This measure is important as cases classified as indemnity are usually those with lost time from work. This metric can therefore assist in measuring the success of a Return to Work/Stay at Work program. In this case, the District reports a high-level of indemnity claims at 61.63%.

## Risk Management—2013-14 Workers’ Compensation Claims – Percent Litigation



\*Number of Workers’ Compensation claims that were litigated, divided by total number of Workers’ Compensation claims filed in the fiscal year.

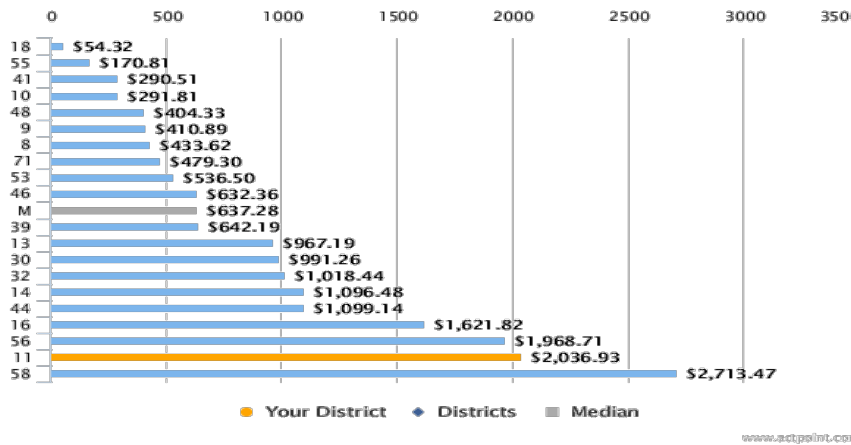
This measure is important as litigation is expensive and increases the cost of the claim. In this case, the District reports the third highest in litigation claims at 17.75%.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

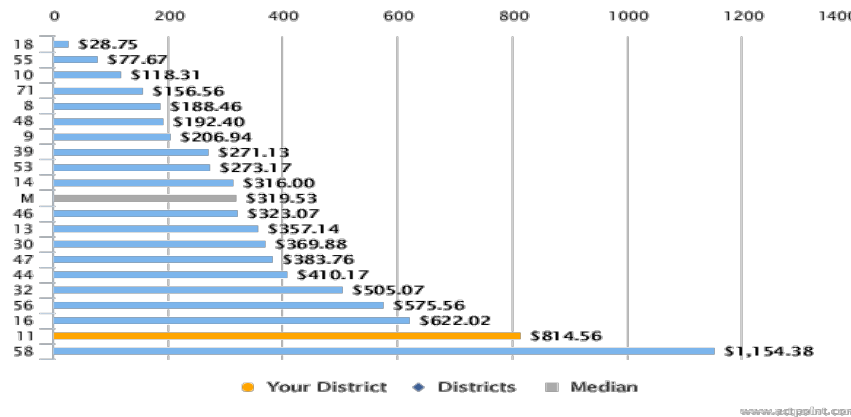
## Risk Management—2013-14 Workers’ Compensation Cost Per \$100,000 Payroll Spend



\*Total Workers’ Compensation premium costs plus Workers’ Compensation claims costs incurred plus total Workers’ Compensation claims administration costs for the fiscal year, divided by total payroll outlays over 100,000.

This measure is important as it can be used to measure success of programs or initiatives aimed at reducing Workers’ Compensation costs. In this case, the District ranks second to the highest at \$2,036.93.

## Risk Management – 2013-14 Workers’ Compensation Cost Per Employee



\*Total Workers’ Compensation premium costs plus Workers’ Compensation claims costs incurred plus total Workers’ Compensation claims administration costs for the fiscal year, divided by total number of district employees (number of W-2’s issued).

This measure would most likely be used for the same purpose as the average cost per Workers’ Compensation claim—to measure success of programs and initiatives. It can also be a way to measure trends over time or to benchmark against other employers. In this case, the District ranks second to the highest at \$814.56.

# Los Angeles Unified School District

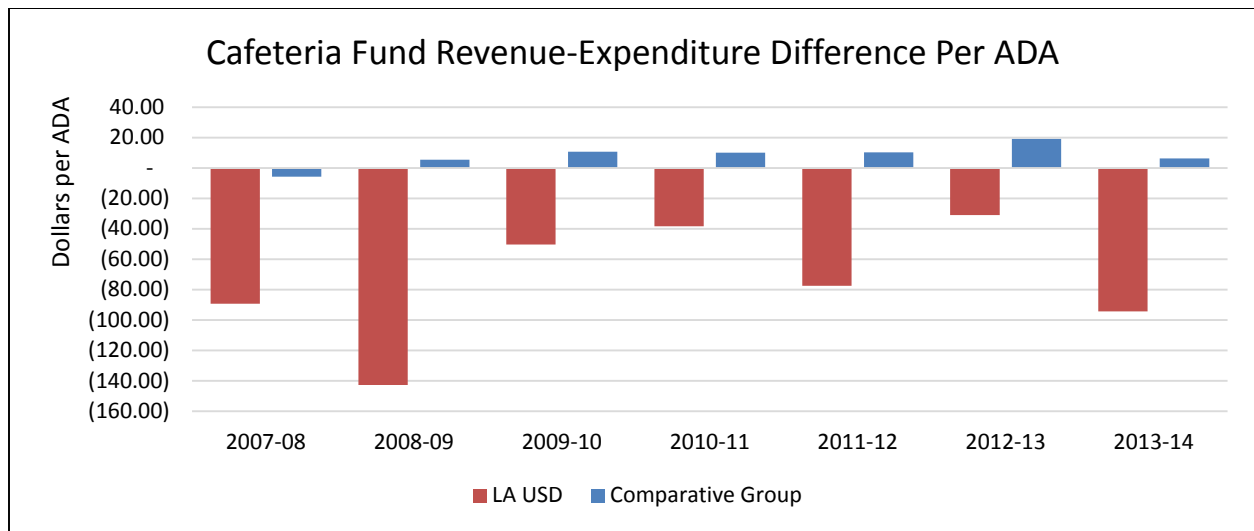
Report of the Independent Financial Review Panel

November 10, 2015

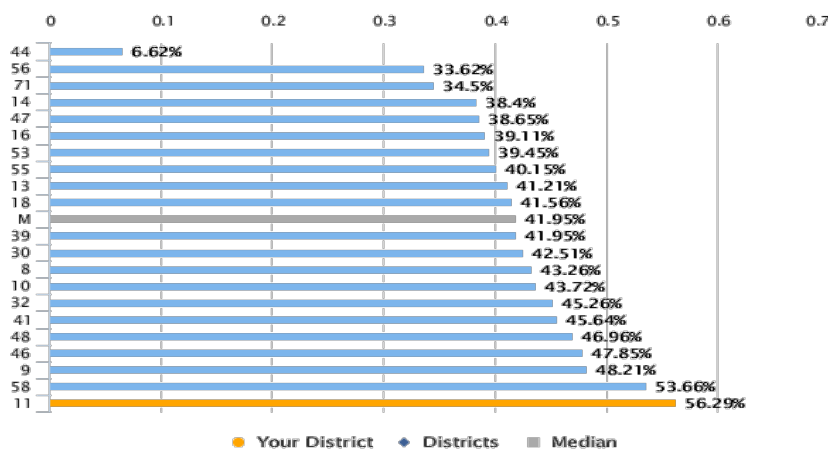
## Food Service Program

Typically, a district’s food service program operates with little or no General Fund support as the expenses incurred are offset by the revenues received for the program. However, since 2007-08, the District’s food service program has operated at a loss, requiring the District to use funding from its General Fund to support the program.

In 2013-14, it is estimated that the District’s General Fund contribution to operating its food services program was almost \$50 million alone.



## Food Services—2013-14 Food Cost Per Revenue



\*Total food costs divided by total revenue.

Food cost is the second largest expenditure that food service programs incur. Careful menu planning practices, competitive bids for purchasing supplies, including commodity processing

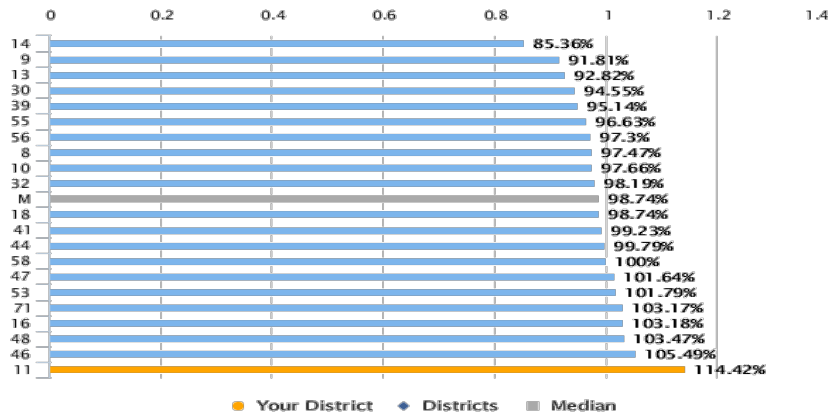
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

contracts, and the implementation of consistent production practices can control food costs. Food cost as a percent of revenue can be reduced if participation revenue is high. In this case, the District reports the highest percentage for food cost per revenue at 56.29%.

## Food Services—2013-14 Total Costs As Percent of Revenue

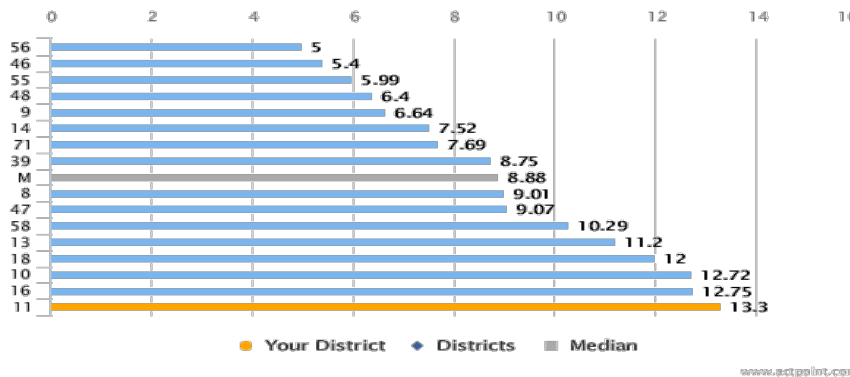


\*Total direct costs plus indirect and overhead costs, divided by total revenue.

This measure gives an indication of the financial status of the food service program, including management company fees. Districts that keep expenses lower than revenues are able to build a surplus for reinvestment back into the program for capital replacement, technology, and other improvements. Districts that report expenses higher than revenues may either be drawing from their fund balance, or may be subsidized by the district’s General Fund. In this case, the District reports the highest in total costs as a percent of revenue at 114.42%.

## Transportation

### Transportation—Average Age of Fleet



\*Average age of bus fleet.

# Los Angeles Unified School District

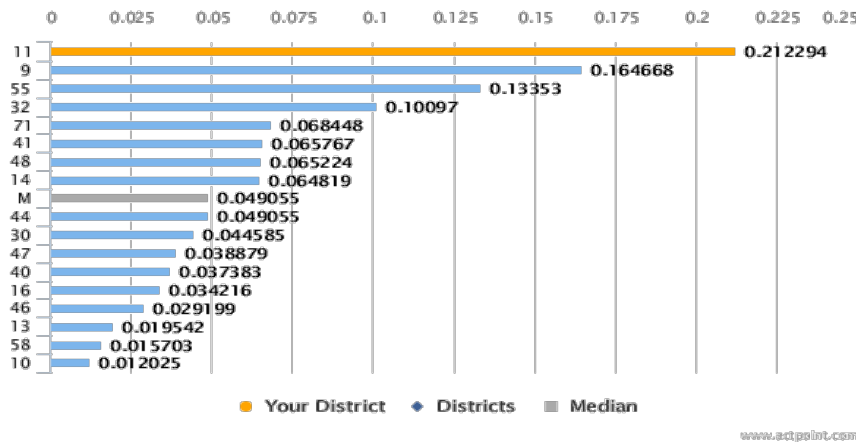
Report of the Independent Financial Review Panel

November 10, 2015

This measure is important as fleet replacement plans drive capital expenditures and ongoing maintenance costs and older fleets require more maintenance expenditures but reduce capital expenses. In this case, the District reports an average age of bus fleet of 13.3 years—the highest of the group.

## Technology

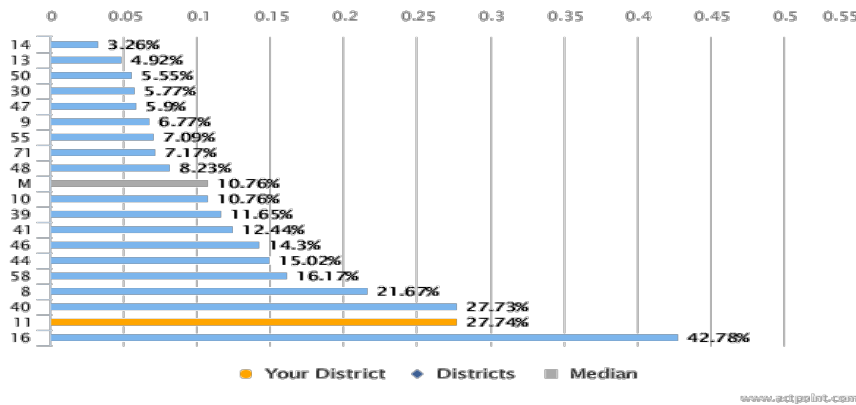
### 2013-14 Devices – Tablets Per Student (Student Use)



\*Total number of tablets reserved for student-only or mixed teacher/student use, divided by total student enrollment.

As mobile devices are increasingly rolled out to classrooms, districts can see how they are doing compared with their peers. In this case, the District has more tablets per students than all of the districts in the comparative group.

### 2013-14 Support – Help Desk Call Abandonment Rate



\*Number of abandoned calls to the Help Desk, divided by total number of calls to the Help Desk.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

This measure assesses the percentage of telephone contacts that are not answered by the service desk staff before the caller disconnects. This measure should be used as a tool to help guide quality improvement processes. In this case, the District is a low performer as compared to the group in terms of help desk abandonment rates.

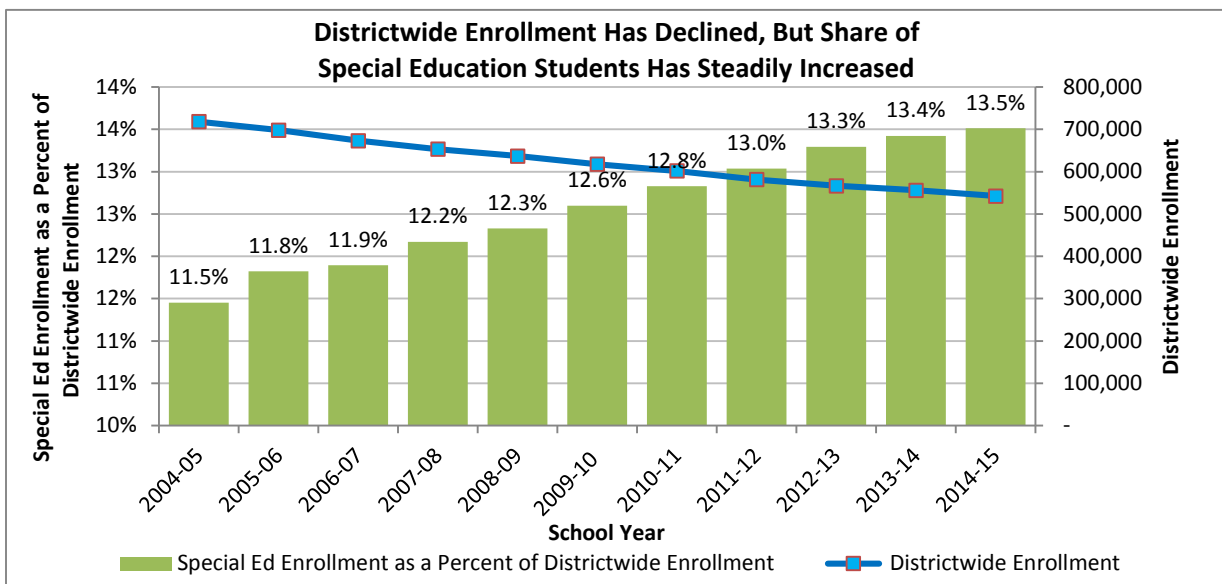
## Programmatic Expenditures

### Special Education

The panel chose to explore Special Education, not only because of the financial impact on the District, but also because of the huge impact education makes on the lives of students who need these specialized services. Even as the District’s overall enrollment has declined, the Special Education population has continued to increase.

The panel recognizes that the District does not receive Special Education funding equal to the cost of services provided to Special Education students. Therefore, a growing Special Education population will likely add to budget pressures in the out years.

Information provided to the panel detailed successes in serving Special Education students and efforts to comply with the myriad state and federal laws regarding Special Education. Standards for services to Special Education are defined by the IDEA. However, the requirements of this federal legislation have never been fully funded. Students are provided the needed services, but the District must identify other sources of funding to cover the cost of the services.



# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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## Findings and Recommendations

As a result of its investigation of the topic of student attendance, the panel offers the following recommendations:

### Staffing and Benefits

- Offer an early retirement program to reduce staffing at the senior levels and reduce future staffing costs.
- Commit to making proportional staffing reductions in any year where enrollment declines.
- Re-staff schools mid-year to reduce staff or reallocate staff as student enrollments change.
- Increase expectations for employee attendance and reduce substitute costs.
- Eliminate the Teacher Pool
- Integrate defined benefit pension entitlements with social security for employees who are eligible for both.
- Seek to negotiate changes in the employee benefit plans to lower costs to the level offered by other comparable school districts, for example:
  - Implement a drug formulary option to save both employees and the district money on prescriptions.
  - Require staff to pay part of the premium if they choose to add family member coverage, or, alternatively, provide incentives not to add them.
  - Use the plans offered in the Federal ACA as the standard for retiree benefits coverage; close coordination with federal coverage can save the District money while maintaining high quality employee benefits.
  - Consider going to a 90/10 contribution rate health benefit plan. This change alone would save the District \$57.4 million a year.
  - Offer retirees the option of taking a lump sum payment in lieu of retiree benefits.
  - Aggressively review eligibility of employees and family members covered by District health plans.

## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

- Negotiate a cap on District health care expenditures to reflect the decline in the number of students and staff, plan changes might be needed periodically to avoid exceeding the cap.
  - ◆ The cost to LAUSD of providing coverage to a pre-Medicare retiree can exceed \$24,000 *per year*. The cost of platinum coverage under ACA (Covered California) is less than half that amount. The District should consider switching plans.
- Refine and Accelerate Dependent Verification.
- Renegotiate the health benefits agreement and freeze all healthcare expenditures for five years.

### **Business Operations**

- Review KPI, CADIE, and SABRE data in a public Board meeting at least twice a year.
- Review its payroll operations to improve effectiveness and efficiency.
- More aggressively manage Workers' Compensation costs.
- The District should hire a third-party consultant to consider how to implement the following ideas immediately:
  - Immediately begin doing "Compromise and Release" processes for injured employees. Included in this must be enhanced training for supervisors.
  - Move to an accelerated claims closure program. One way to accomplish this is to move claims to your Third-Party Administrator (Sedgwick) more quickly. There are many studies that show that late reporting of claims impacts the overall cost and the ultimate care for the injured employee. Common sense says this needs to be fixed, as it is in the best interest of the District and the injured employee.
  - Explore risk financing techniques, including loss portfolio transfers, excess and aggregate cover and captive financing.
  - The current Workers' Compensation system provides too many disincentives for returning to work; this needs to be improved immediately, and the investigation of the use of the 150-day statutory leave should be part of this review.
- Study further the operational metrics of the District's current warehousing and logistics support functions to determine if other means of provisioning high volume, low unit price office, art, medical, PE, custodial, and maintenance supplies afford lower cost and more efficient services to schools and departments.



# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

- Immediately curtail and eliminate any contribution from the General Fund to the Cafeteria Fund, thus saving roughly \$50 million per year.
- Review the balance of expenditures for information technology between hardware, network, and service.

## Programmatic Expenditures

- Re-evaluate the process by which students are designated for inclusion in Special Education programs.
- Identify trends in age, grade-level, disciplinary status, gender, and ethnicity to ensure students are identified for Special Education services in a principled and ethical manner.
- Avoid over identification of subgroup members, particularly Latino and African American males.
- Establish clearly defined exit strategies for students who no longer need services.
- Designate a Cabinet-level staff member to help eliminate silos that serve to create barriers to effective management of special education services.
- Follow through on the extensive programmatic review of Special Education already begun by the District.

## Conclusion

### Issues for Immediate Action

Savings in Millions	Issue
Upwards of \$400	Offer an early retirement program to reduce staffing at the senior levels and reduce future staffing costs.
\$100	Negotiate a cap on District health care expenditures to reflect the decline in the number of students and staff. Plan changes might be needed periodically to avoid exceeding the cap.
\$45	Increase attendance rate to the statewide average, by creating a task force of school, city law enforcement, and judicial representatives to focus on improving attendance at the poorest attended schools and grades.
\$23.2	Reduce Workers' Compensation premiums to the Statewide average per ADA.
\$50	Eliminate General Fund contribution for Food Services.
\$57	Implement 90/10 contribution rate health benefit plan.
\$10	Eliminate the Teacher Pool.
Indeterminate	Review KPI, CADIE, and SABRE data in a public Board meeting at least twice a year.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

Savings in Millions	Issue
Indeterminate	Re-staff schools mid-year to reduce staff or reallocate staff as student enrollments change.
\$685.2	Total Savings

## **Issues to which the District Must Adapt or Accommodate**

	Issue
	Study loses of enrollment to charter schools, other districts, and private schools and emulate the programs that parents believe are only offered by charter schools.
	Study the successes of extraordinary schools within the District to learn from within the District and adopt their strategies throughout the District.

## **Issues for Further Study**

	Issue
	Complete extensive programmatic review of Special Education already begun by the District.
Upwards of \$12 million	Study further the operational metrics of the District’s current warehousing and logistics support functions to determine if other means of provisioning high volume, low unit price office, art, medical, physical education, custodial, and maintenance supplies afford lower cost and more efficient services to schools and departments.
	Review the total expenditures for information technology.
Upwards of \$25 to \$50 million	Explore risk financing techniques, including loss portfolio transfers, excess and aggregate cover and captive financing.
	Review its payroll operations to improve effectiveness and efficiency.
	District should engage schools in the improvement of attendance (and other cost-savings identified in this report—in listings) for students and staff with the expectation that the local schools and the District would benefit from any increase in revenues.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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## Appendix A—Meeting Agendas

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**May 6, 2015**

**AGENDA**

- I. Introductions
- II. Remarks from LAUSD Leadership
- III. Goals, Objectives and Timeline
- IV. Panel Organization
- V. Lunch Break (*food will be provided*)
- VI. School Funding Overview Presentation
- VII. Discussion on Specific Revenue and Expenditure Challenges and Opportunities
- VIII. Calendar
- IX. Next Steps and Wrap-Up

**June 4, 2015**

**AGENDA**

- I. Introductions
- II. Summary of last meeting
- III. Review of Panel Goals, Objectives and Timeline
- IV. Panel Chair Election
- V. Discussion of the District Key Performance Indicators
- VI. Lunch Break (*food will be provided*)
- VII. Presentation and Discussion of the Special Education Program
- VIII. Next Steps and Wrap-Up

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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## June 24, 2015

### AGENDA

- I. Recap and Overview
- II. LAUSD Budget and Local Control Accountability Plan (LCAP)
- III. Lunch Break (*food will be provided*)
- IV. Enrollment & Attendance
- V. Graduation & Dropout Rates
- VI. Calendar Review and Preliminary Discussion on the Report

## August 11, 2015

### AGENDA

- I. Recap and Overview
  - i. Budget and LCAP
  - ii. Enrollment & Attendance
  - iii. Graduation & Dropout Rates
- II. Preliminary Discussion on the Report
- III. LAUSD Retirement/Pensions – Ron Bennett and John Gray
  - i. Contribution Rates
  - ii. Budget Impact
    - Multi-year projection
- IV. Lunch Break (*food will be provided*)
- V. Ramon Cortines
- VI. LAUSD Benefits – Peter Taylor & Janice Sawyer
  - i. OPEB
  - ii. Health & Welfare
- VII. LAUSD Staffing – Maria Salazar?
  - i. Contract Pool
- VIII. Calendar Review & Subcommittee Discussion

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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## September 17, 2015 (Conference Call)

### AGENDA

- I. Recap and Overview
- II. Subcommittee Updates
- III. Focus Area Discussion
- IV. Report Draft Editing Process
- V. Future Meetings

## October 8, 2015

### AGENDA

- I. 10:30 – 10:40 – Recap
- II. 10:40 – 11:10 – United Teachers Los Angeles
- III. 11:10 – 11:30 – California School Employees Association
- IV. 11:30 – 11:50 – Service Employees’ International Union (Unconfirmed)
- V. 11:30 – 12:40 – Working Lunch
- VI. 12:40 – 1:00 – Associated Administrators of Los Angeles
- VII. 1:00 – 1:30 – LA/Orange Counties Building & Construction Trades Council , Los Angeles School Police Management Association
- VIII. 1:30 – 3:00 – Focus Area discussion

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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## Appendix B—KPI Benchmarks

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The panel spent considerable time comparing the District to other large school districts to determine the extent to which “best practices” had been implemented in the District. The panel compared LAUSD first with other large school districts in California, then with other large school districts across the nation, and finally with longitudinal comparisons of the District against its own performance over time. The panel focused its efforts on topics for which the District was an “outlier”, i.e., well above or below the performance of other large districts. The areas chosen for benchmarking include:

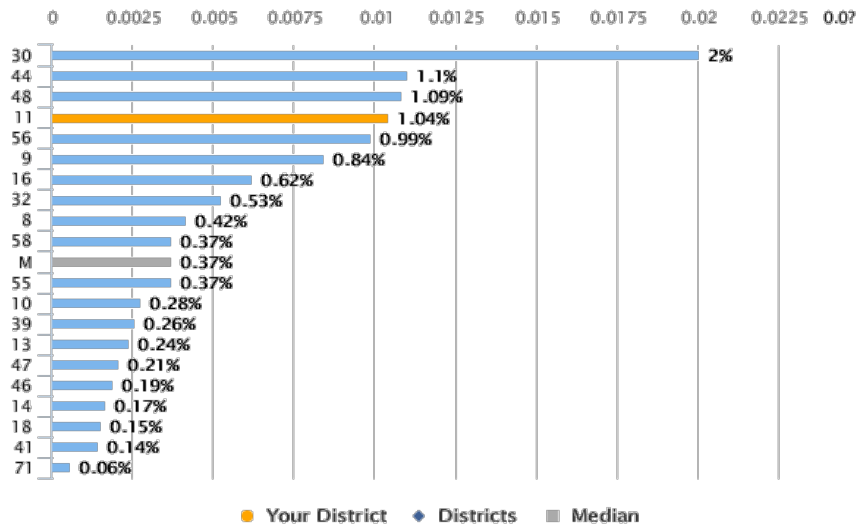
- Measures of financial efficiency
- Risk management practices
- Costs of support services provided
- Procurement practices
- Staffing practices and retention
- Food Services
- Transportation

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

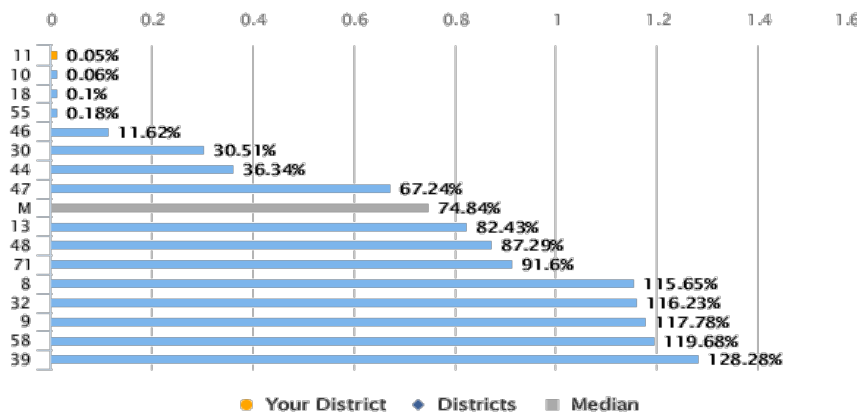
## Cash Management – 2013-14 Investment Earnings as Percent of Cash/Investment Equity



www.actpoint.com

This chart indicates the rate of return on cash and investment assets. It reflects the degree to which the District uses its available assets to build value. In this case, the District ranks well above the median of the group at 1.04%.

## Financial Management – 2013-14 Debt Principal Ratio to District Revenue



www.actpoint.com

\*Calculated by total debt principal, divided by total debt servicing costs.

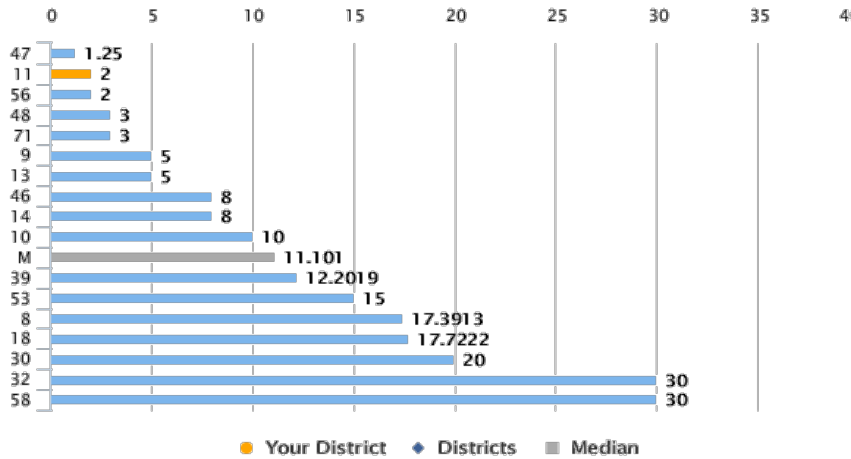
This evaluates the total level of debt that the District currently owes relative to its annual revenue. In this case, the District ranks as a top performer among the comparative group at 0.05%.

# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

## Grants Management—2013-14 Grants Receivables Aging—Days to Process

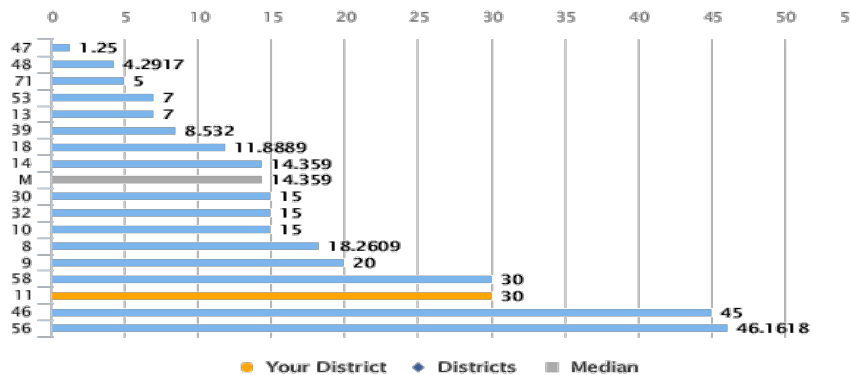


www.actpoint.com

\*Aggregate number of calendar days to internally process grants receivables invoices, from date grant reimbursements are filed to date invoice is submitted to the grantor, divided by total number of grants receivables invoices submitted.

This measure is important as the total aging greater than 30 days may indicate that expenditures have not been submitted timely to funding agency or funding agency is slow in sending reimbursement thereby requiring follow-up. In this case, the District ranks as a top performer among the comparative group at only two days to process.

## Grants Management – 2013-14 Grants Receivables Aging – Days to Receive



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\*Aggregate number of calendar days to receive is payment of submitted invoices, from date invoice is submitted to the grantor to date payment is received, divided by total number of grants receivables invoices submitted.

This measure is important as the total aging greater than 30 days may indicate that expenditures have not been submitted timely to funding agency or funding agency is slow in sending reimbursement thereby requiring follow-up. Interestingly, in this case, the District ranks as a low



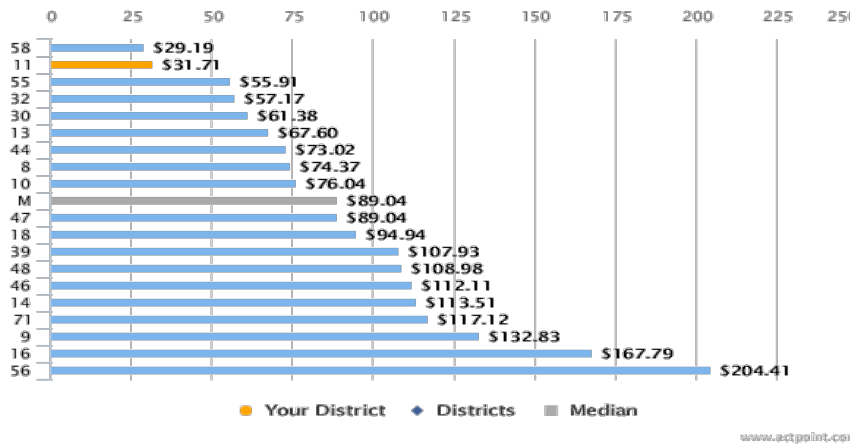
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

performer among the comparative group in receiving payment; whereas, in the previous graph, the District is a top performer in days to process.

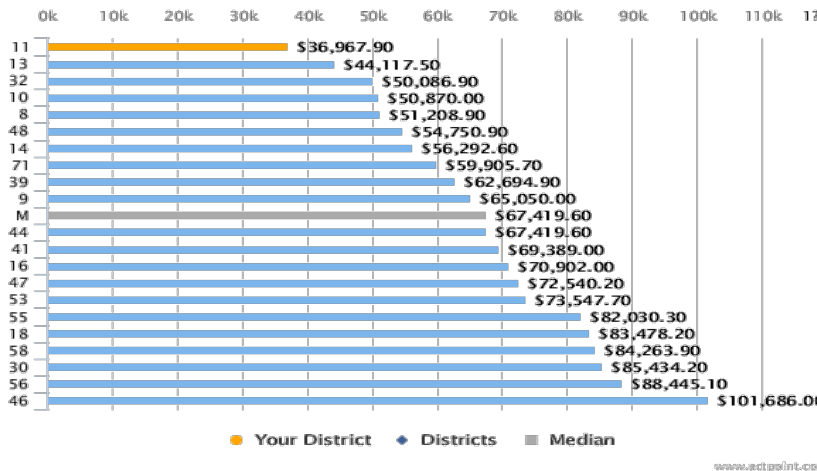
## Procurement – 2013-14 Procurement Costs Per 100,000 Revenue



\*Total procurement department expenditures, divided by total district revenue over 100,000.

This measure is important as it identifies the indirect cost of the procurement function as compared to the total district revenue. Assuming all other things being equal, this is a relative measure of the administrative efficiency of district’s procurement operations. In this case, the District spends less than all but one district at \$31.71.

## Procurement—2013-14 Procurement Staff Cost Per FTE



\*Total procurement department personnel expenditures (including benefits), divided by total number (FTE) of procurement staff.

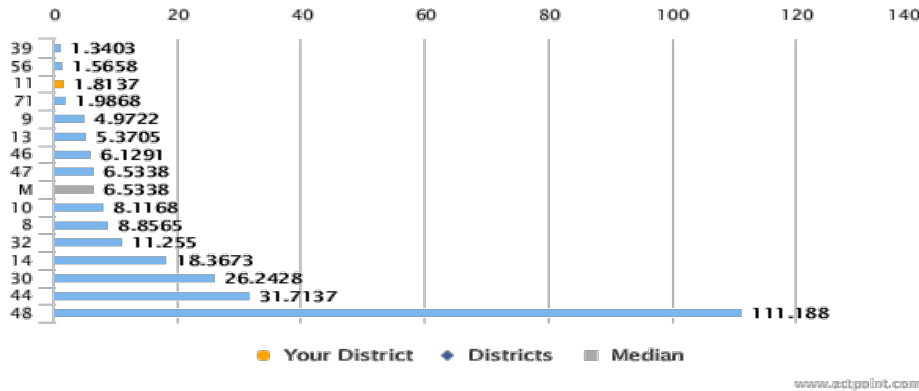
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

This measure is important as it can be used to evaluate staffing costs. In this case, the District spends the lowest among the comparative group at \$36,967.90 per FTE.

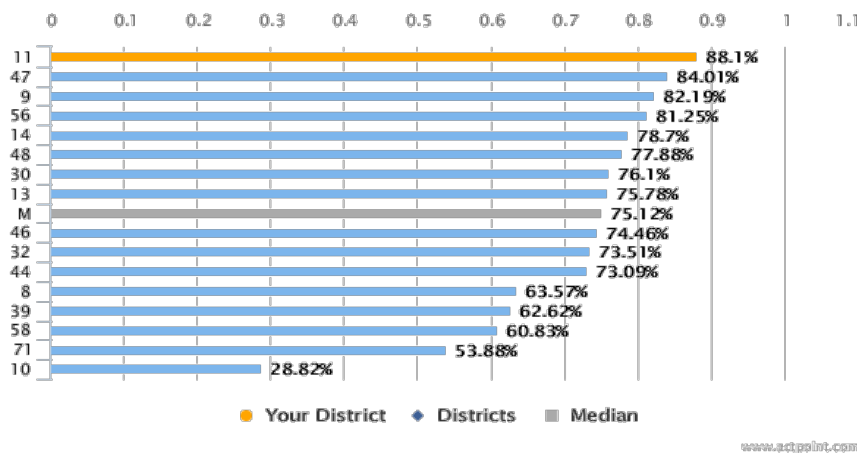
## 2013-14 Employee Relations—Misconduct Investigations Per 1,000 Employees



\*Number of misconduct investigations, divided by total number of district employees (FTEs) over 10,000.

This measure is an indicator of the effectiveness of hiring and supervisory practices within a district. Administrative costs associated with investigation and resolution diminish resources that could be used more for productive educational purposes. High instances of alleged employee misconduct reflect a negative public image of the district. In this case, the District ranks lower than a majority of the districts.

## 2013-14 Teacher Retention Remaining After 1 Year



\*Number of teachers retained after one year, divided by number of teachers that were newly hired one year ago.

By tracking, monitoring, and examining retention of first year teachers, districts can measure early attrition rates and thereby manage the cost of bringing in new teachers, revised mentoring/

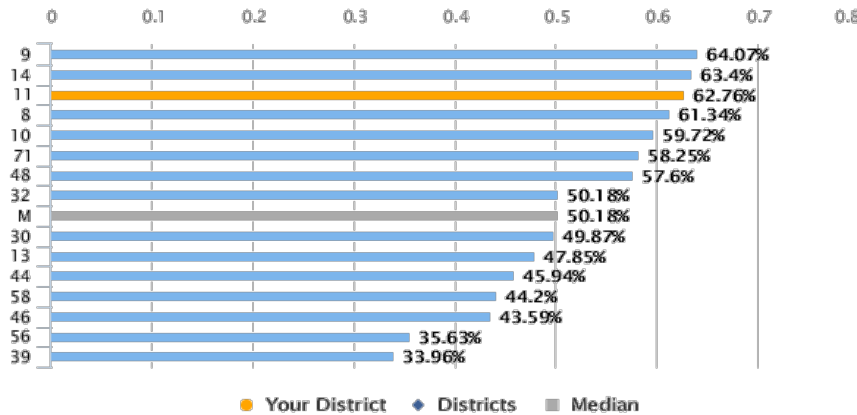
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

induction program, and maintain desired staff continuity. In this case, the District has the highest percentage of teachers retained after one year at 88.1%.

## 2013-14 Teacher Retention Remaining After Four Years

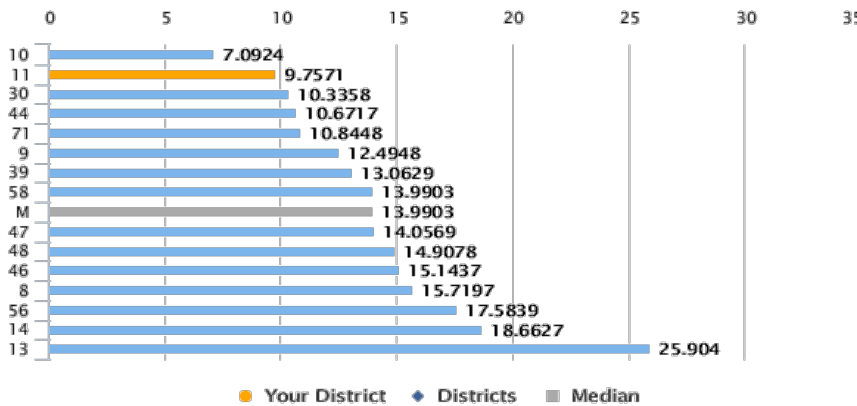


www.actpoint.com

\*Number of teachers retained after four years, divided by number of teachers that were newly hired four years ago.

The measure of attrition rates helps districts identify “hot spots” within a district by tracking, monitoring, and examining teacher retention on a school-by-school basis. This data can be used to show that continuity of teaching staff within a school has a positive effect on student achievement. In this case, the District is a top performer compared to the group at 62.76%.

## 2013-14 Teacher Absences Per Teacher



www.actpoint.com

\*Total number of student attendance days that classroom teachers were absent from their classrooms, divided by total number of teachers (FTEs).

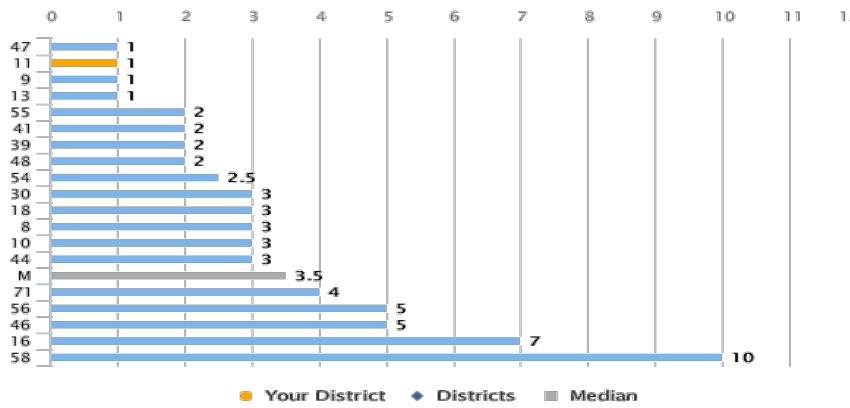
# Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

High teacher absenteeism can be problematic for students, and should be addressed with strategies to discourage teacher absences. In this case, the District ranks as a top performer as compared to the group.

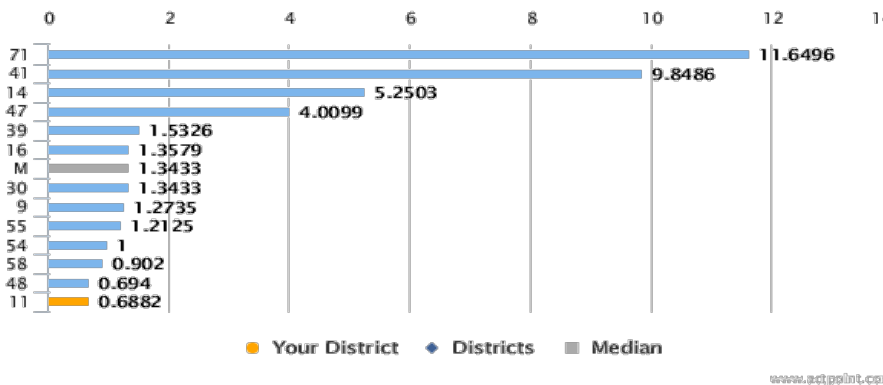
## Transportation—Turn Time to Place New Students—General Education



\*Average number of school/business days, from notification to route assignment, to place new enrollees on a bus route – general education.

This measure indicates the cycle time it takes to place a student—it is a customer service measure. In this case, the District ranks as a top performer as compared to the group.

## Transportation—Bus Usage Live Miles Per Deadhead Mile



\*Total number of live miles, divided by the difference between total miles and live miles for both district and contractor buses.

This measure is essentially an efficiency indicator for transportation services. The lower the amount of deadhead a district experiences could indicate a well-run operation. Reducing deadhead miles reduces fuel consumption, vehicle maintenance, and other costs of operation. In this case, the District ranks the lowest compared to the group at 0.6882 bus usage miles per deadhead mile.

## **Los Angeles Unified School District**

Report of the Independent Financial Review Panel

November 10, 2015

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In this case, the District reports an average live mile per deadhead mile of 0.69 miles – the lowest of the comparative group.

## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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### Appendix C—Panel Participants

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**Maria R. Anguiano** currently serves as Vice Chancellor for Planning and Budget at the University of California (UC), Riverside. In that position, she oversees resource planning and management, financial policy, information systems support, statistical information management, institutional research, and capital, environmental, space, and strategic planning. Ms. Anguiano has also served as a senior advisor to the Bill and Melinda Gates Foundation Postsecondary Success Team. There, she created a new costing framework to help improve financial reporting for universities nationwide. Prior to this work, Ms. Anguiano worked at Barclays Capital in public finance investment banking and at Deloitte & Touche in corporate and nonprofit auditing and financial statement analysis. Ms. Anguiano holds an MBA from the Stanford Graduate School of Business and a BA in Economics-Accounting and Spanish from Claremont McKenna College. She is a first generation college graduate.

**Delaine Eastin** served as the California State Superintendent of Public Instruction (SPI) for eight years from 1995 to 2003, the first and only woman in history elected to that position. As an elected constitutional officer, Delaine managed more than 40% of the California budget and oversaw the education of 6.1 million children. While serving as SPI, she advocated for reduced class size in K-3, better technology and more hands on learning, a restoration of arts, career and technical education, school gardens and improved nutrition for children, school libraries and a longer school year, state academic standards and assessments aligned to those standards. She was the architect of the first Net Day, an electronic barn raising, copied in 40 states and 40 countries. She also advocated for Universal Preschool and full-day mandatory kindergarten for which she continues to advocate.

Prior to serving as SPI, Delaine served eight years in the California State Assembly where she chaired several committees including the Education Committee. She authored what was the largest school bond in history. She also authored legislation to provide for better financial oversight of schools and a host of other educational improvements.

After retiring as SPI, Delaine was the first Executive Director of the National Institute for School Leadership in Washington, D.C., and then a Distinguished Visiting Professor of Educational Leadership at Mills College in Oakland. She now does speaking and consulting.

**Michael H. Fine**, serves as the Chief Administrative Officer for the state's Fiscal Crisis and Management Assistance Team (FCMAT). FCMAT provides fiscal advice, management assistance, professional development and other related school business services to assist local educational agencies fulfill their financial and management responsibilities. Prior to joining FCMAT in 2015, Michael served a combined thirteen years as Interim Superintendent and Deputy Superintendent for Business Services and Governmental Relations in the Riverside Unified School District. He has previous experience as Assistant Superintendent at Newport-Mesa USD, and at

## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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Hughes Aircraft Company and General Dynamics Corporation as a Financial Administrator in accounting and indirect budgets.

**Bill Lockyer**, is a member of Brown Rudnick's Government Law and Strategies team in the Orange County office. He is a widely admired California politician who never lost an election. He most recently served as the 32nd State Treasurer of California, elected in 2006 and re-elected in 2010 with more votes than any other candidate in the nation. He also has served as California Attorney General. Prior to that, he served over twenty five years in the California State Legislature, more than half that time in the State Senate, where, for the last four years of his tenure, he was chosen by his peers to be President Pro Tempore, the most powerful position of the upper legislative house.

**Dr. Darline Robles**, the former superintendent of Los Angeles County Office of Education, is a Professor of Clinical Education at the University of Southern California, Rossier School of Education. In addition to teaching in the school's doctoral and masters programs, Dr. Robles is responsible for the development of a new online Master's degree program in school leadership. She leads the program development effort in conjunction with faculty, external organizations and experts. She is also an expert in the areas of urban education, program development, and school leadership.

Dr. Robles was appointed County Superintendent of Schools in June 2002, and she led the nation's largest regional education service agency, serving 93 school districts and 55 joint power agencies that educate 1.7 million students from pre-kindergarten through community college, until her retirement in August 2010. She was the first woman and Latina to serve in the post. As superintendent, Robles focused on at-risk and special needs students in schools run by the Office of Education, and directed services to cash-strapped districts, particularly those with low-performing schools. She also led a reorganization of the Office's highly lauded Head Start preschool program. Dr. Robles and her co-authors, Dr. Ott and Dr. Franco wrote and published *A Culturally Proficient Society Begins in School: Leadership for Equity*, in 2011 by Corwin Press.

Prior to this position, Dr. Robles served as Superintendent of Schools for Salt Lake City School District where she was successful in closing the achievement gap and significantly reducing the dropout rate, and as Superintendent of Schools for Montebello Unified School. In October 2009 and 2011, Dr. Robles was named one of the nation's top 100 influential Hispanic Americans by Hispanic Business magazine and in March 2010 was a "Women of the Year" recipient by the L.A. County Commission for Women. Dr. Robles is committed to public service and serves on many local and national boards. She was named to the President's Advisory Commission on Educational Excellence for Hispanics. Dr. Robles received her Ph.D. in Education Policy and Administration from the University of Southern California, her M.A. in Education from the Claremont Graduate School, her B.A. in History from California State University, Los Angeles and her A.A. in History from East Los Angeles College.

## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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**Miguel Santana**, serves as the City Administrative Officer for the City of Los Angeles since 2009. Mr. Santana reports directly to the Mayor and the City Council. As the CAO, his office has direct oversight over the City's \$8.1 billion budget, labor negotiations, debt management and major policy issues as directed by the Mayor and/or City Council, including the proprietary departments of Department of Water and Power, Airport and Harbor. He has more than 25 years of experience managing numerous fiscal, legislative, political, and community issues. Prior to this position, he served as one of five Deputy Chief Executive Officers for Los Angeles County. As Deputy CEO, Mr. Santana provided oversight to all of the County's social service departments including the Department of Children and Family Services, Public Social Services, Child Support, Military and Veterans Affairs and the Human Relations Commission. Collectively, these departments represented \$9 billion of the \$22 billion annual County budget.

A graduate of Whittier College and the John F Kennedy School of Government at Harvard University, Mr. Santana is also a proud parent of a Los Angeles Unified School District high school graduate.

**Darrell Steinberg**, shareholder in the Sacramento office of Greenberg Traurig LLP and Chair of the California Government Law & Policy Practice. He provides strategic counsel to clients with matters involving state and local government. He is one of the most respected political leaders in California, having most recently served as President Pro Tem of the State Senate from 2008 to 2014. His career of more than 20 years in public service also included six years in both the State Assembly and the Sacramento City Council. Over the course of his legislative tenure, Steinberg forged difficult agreements to usher the state from a \$42 billion deficit to a surplus budget, implemented groundbreaking mental healthcare legislation, strengthened the state's foster care system, improved K-12 education standards, reformed the statewide ballot initiative, and made historic investments in California's water and transportation infrastructure. Mr. Steinberg is also the Founder and Board Chair of The Steinberg Institute for Advancing Mental Health Policy.

**Peter J. Taylor**, serves as President of the ECMC Foundation, a grantmaking organization committed to facilitating improvement that affect educational outcomes—especially among underserved populations—through evidence-based innovation. From 2009 to 2014, he served as the Executive Vice President and Chief Financial Officer for the University of California (UC) system. During his time at the UC system, Mr. Taylor oversaw all aspects of financial management at the ten campuses and five academic medical centers. Previously, Mr. Taylor held senior positions in investment banking, including at Barclays Capital where he served as Managing Director of public finance. His experience encompasses governmental work as well, including six years on the legislative staff of the California State Assembly Majority Leader. Active in the community, Mr. Taylor currently serves on the Board of Trustees of the California State University system, the Kaiser Family Foundation, the California Community Foundation, and the J. Paul Getty Trust, where he serves as chair of the Audit Committee. Previously, he chaired the James



## Los Angeles Unified School District

Report of the Independent Financial Review Panel

November 10, 2015

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Irvine Foundation board of directors for three years, and was President of the Board of Directors of the UCLA Foundation. Mr. Taylor is a graduate of the Los Angeles Unified School District schools.

**Kent Wong**, serves as Director of the UCLA Labor Center, where he teaches courses in labor studies and Asian American studies. He previously served as staff attorney for the Service Employees International Union. He was the founding president of the Asian Pacific American Labor Alliance, the founding president of the United Association for Labor Education, and currently is vice president of the California Federation of Teachers.