



**Los Angeles Unified School
Board of Education**

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Marguerite P. LaMotte
Board of Education Member
District 1

May 20, 2010

Superintendent Ramon C. Cortines
Los Angeles Unified School District
333 S. Beaudry Avenue, 24th Floor
Los Angeles, CA 90017

RE: CLAS Charter School and Issues with the Charter Schools Division

Dear Superintendent Cortines,

I submit this letter in reference to the communications and discussions that have gone forth concerning CLAS Charter School's potential partnership, and status with this district. It has become quite apparent that as I work to collaborate with CLAS to create an educational partnership that would benefit students of this district, it appears that the charter office is deliberately working to undermine this effort by communicating misleading information concerning the status of CLAS. Therefore, this correspondence serves to refute issues raised by the charter office with supporting documentation attached, in order to shift focus back on moving forward with a partnership that creates a win-win for both the district and the CLAS with all of our kids reaping the fruits of a powerful educational partnership.

In the e-mail communication response dated 5/13/2010, from Dr. Cole-Gutierrez to you regarding CLAS Charter School, Dr. Cole-Gutierrez referenced fiscal and legal issues as it relates to the plan for Harte Middle School. In his response, Dr. Cole-Gutierrez narrowed the concerns to the following:

Finance

- The school has not been able to meet payroll since February of this year. Last year, they experienced similar challenges just before the summer.

- The school has outstanding state and federal taxes to be paid on behalf of employees. The school estimate is that they have to pay \$7,500 per month over several months to complete. We have asked for and seen nothing in writing; to our knowledge it is not officially settled.
- We withheld payment of in lieu of property tax, per the Employment Development Department (EDD), and forwarded to EDD to cover non-payment. The lien has not been filed so we do not have an amount. The EDD does not calculate until the lien is filed.
- The school has consistently been in a negative net asset position as noted in the table below.

AUDITED INFORMATION	FINANCIAL		
	2006-2007	2007-2008	2008-2009 Audit report
Cash	\$166,226	\$42,634	not
Current Assets	\$351,274	\$42,634	yet available
Current Liabilities	\$6,843,995	\$463,583	
Net Assets	(\$386,981)	(\$356,363)	

Findings

2006-2007

Weakness in internal control

Possible overstatement of revenue received approximately \$800

2007-2008

Inadequate supporting documentation for Cash Disbursements

Use of Cashier's checks and checks made payable to cash

Weakness in internal control finding from 2006-2007 still unresolved

Additionally Dr. Cole-Gutierrez summarizes the legal issues as follows:

Legal

In our conversation, I referenced an injunction that CLAS filed against the district. They filed this action on or about August 25, 2006, against LAUSD seeking to prevent the revocation of its charter. On October 4, 2006, Judge Yaffe ordered a preliminary injunction enjoining the District from revoking CLAS' charter until LAUSD "*finds a suitable facility within the geographic boundaries of LAUSD to house CLAS' entire educational program*" and permitted CLAS to operate at the Inglewood facility until such time. The district has worked with CLAS since then to try to accommodate CLAS Prop. 39 requests.

Because of the outstanding preliminary injunction against the District, the District cannot arguably revoke CLAS' charter until it has housed its entire educational program. However, the Office of General Counsel is preparing to file a Motion to dissolve the Preliminary Injunction arguing that CLAS failed to prosecute its claims and that there has been a change in material facts. Should the court agree, the District could initiate revocation proceedings based on these new series of fiscal mismanagement concerns.

While the statement of facts with respect to the fiscal issue is correct, the context in which the information is presented is misleading and mischaracterizes the status of affairs. Outlined below is the true state of affairs with respect to the issues raised by the charter office.

Finance

I. The school has not been able to meet payroll since February of this year. Last year, they experienced similar challenges just before the summer.

A. The School is meeting payroll based upon the agreement reached between the charter and its Staff. To-date absolutely no staff has failed to be paid (See Attachment A, which is a representation of the commitment letter signed by 90% of the Staff). Additionally, a restatement of commitment was communicated to the charter office in the presence of my staff on April 29, 2010. There was such an overwhelming commitment of support for the school that staff decided to forgo the remaining visits to other CLAS locations, as they were satisfied with the response.

I. The school has outstanding state and federal taxes to be paid on behalf of employees. The school estimate is that they have to pay \$7,500 per month over several months to complete. We have asked for and seen nothing in writing; to our knowledge it is not officially settled.

A. CLAS' request for settlement hearing is pending. A general letter from the Internal Revenue Service was sent early this year indicating receipt of the request; however, a determination is still pending (No attachment provided with correspondence, however, the letter from the IRS will be forwarded to your office).

I. We withheld payment of in lieu of property tax, per the Employment Development Department (EDD), and forwarded to EDD to cover non-payment. The lien has not been filed so we do not have an amount. The EDD does not calculate until the lien is filed.

A. This issue was resolved with final payment made in September of 2009. (See Attachment B)

I. The school has consistently been in a negative net asset position as noted in the table below.

AUDITED INFORMATION

FINANCIAL

2006-2007 2007-2008 2008-2009

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- A. *As a result of the findings by the Charter Office, CLAS implemented the following recommendations: 1) In 2007 CLAS hired an accountant to assist in the managing and reconciliation of financial documentation and general bookkeeping responsibilities 2) As of this year CLAS has hired Charter School Management Corporation (CSMC) to manage all of its back-office functions. The hiring of CSMC ensures CLAS has a fully comprehensive financial and operational support structure in place. The CSMC organization provides similar services to other charter organizations within the school district such as Green Dot, Alliance, and Crescendo, which further indicates CLAS' commitment and willingness to address and resolve all issues that arise.*

Legal

In our conversation, I referenced an injunction that CLAS filed against the district. They filed this action on or about August 25, 2006, against LAUSD seeking to prevent the revocation of its charter. On October 4, 2006, Judge Yaffe ordered a preliminary injunction enjoining the District from revoking CLAS' charter until LAUSD "*finds a suitable facility within the geographic boundaries of LAUSD to house CLAS' entire educational program*" and permitted CLAS to operate at the Inglewood facility until such time. The district has worked with CLAS since then to try to accommodate CLAS Prop. 39 requests.

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A. While it is true that the District was seeking revocation of CLAS' charter the information presented in the context of the correspondence is misleading. The revocation issue in relation to the injunction was solely based on CLAS' perceived failure of moving its operation back within LAUSD boundaries and not as result of any fiscal management problems as the correspondence would have the reader to infer. Moreover, the failure of that move was a result of the District, offering the 98th Street Elementary Site on August 22, 2006 and subsequently pulling the offer on August 25, 2006 due the District's need to house students (See Attachment C), which prevented them in essence from securing the necessary space within district boundaries.

As a result of the mischaracterization of facts and my interpretation of the legal concerns raised, I am cautious and leery of the motives to house CLAS' entire educational program on the Westchester campus. According to the response provided "because of the outstanding preliminary injunction against the District, the District cannot arguably revoke CLAS' charter until it has housed its entire educational program." With this in mind, and in combination with the mischaracterization of facts, one has to ask, whether this is a crafted plan to have the injunction lifted in order to began the revocation process. While I appreciate, the hard work and dedication staff provides in working to minimize the district's exposure to risk as best as possible. I am also saddened that I am witnessing, what appears to be a deliberate attack on this organization, especially, when many other entities with fiscal issues that dwarfs the \$500,000 financial deficit that CLAS is experiencing seem to work out mutually beneficial solutions with cooperation from the district.

However, I would be remiss, if I failed to acknowledge the tremendous support you have provided in matters pertaining to CLAS. It is largely because of this support and willingness to find a solution, my office, rather than escalate this issue, request a meeting with all parties involved to frankly discuss the issues, in order to 1) ascertain the options available, 2) put an end to the perceived undermining of the process taking place in the charter office and 3) most importantly move forward on developing a partnership, which benefits children of this district. Please have the appropriate staff contact Ms. Verline Moore in my office to coordinate a meeting time that works for all parties.

Sincerely,


Marguerite P. LaMotte (Via e-Mail)
Los Angeles Board of Education Member, District 1

CC: Parker Hudnut
José Cole-Gutierrez
Janice Bucknor