

**ANTIOCH UNIFIED SCHOOL DISTRICT
RESOLUTION NO. 2018-19-26**

**Resolution of the Board of Trustees to Approve
the Issuance of a Second “Notice of Violation” to the
“Rocketship Delta Prep” Charter School**

WHEREAS, the revocation of a charter is governed by the standards and criteria set forth in Education Code section 47607 and its implementing regulations; and

WHEREAS, the “Rocketship Delta Prep” Charter School (“Charter School”) was first authorized and granted a charter (“Charter”) by the Antioch Unified School District (“District”) Board of Trustees (“Board”) at a public meeting on December 7, 2016, with a term commencing on July 1, 2018 and ending on June 30, 2023; and

WHEREAS, the District and Charter School executed a Memorandum of Understanding (“MOU”), outlining the Charter School’s additional operational obligations, including the provision of financial reports to the District as required by law and the Charter, which was approved by the Board at a public meeting on June 27, 2018. The parties agreed when executing the MOU that any violation of that agreement also constitutes grounds for revocation pursuant to Education Code section 47607(c); and

WHEREAS, on March 15, 2019, the Charter School submitted its 2nd Interim Report for the 2018-2019 school year to the District. The 2nd Interim Report discloses the Charter School will be fiscally insolvent in the 2019-2020 school year by projecting an ending fund balance of **-\$526,615.21** in that school year. The 2nd Interim Report further discloses that the Charter School’s projected ending fund balance worsens to **-\$645,394.03** in the 2020-2021 school year. The 2nd Interim Report failed to include any supporting documentation, and/or supplemental or narrative information explaining the projections. The 2nd Interim Report fails to specify any “5%” set aside of reserves for economic uncertainty as required by the MOU, and contradicts the budget submitted with the Petition when the Charter was approved by the Board which projected a surplus.

WHEREAS, on April 1, 2019, as part of the Charter School’s response to the first Notice of Violation issued by the District on February 28, 2019, the Charter School submitted a Revised 2nd Interim Report adopted by its Board of Directors on March 28, 2019. The fiscally insolvent projections first identified in the March 15, 2019 2nd Interim Report were completely erased and replaced with new figures now projecting solvent years ahead. In fact, the March 28 Revised 2nd Interim Report appears to be a complete and total reworking of the March 15 2nd Interim Report with a multitude of revenue, expenditure, and enrollment alterations including the following:

Revenue changes in the March 28, 2019 Revised 2nd Interim Report

- State Aid for 2019/20 increased by \$190,908.73.
- EPA for 2019/20 increased by \$5,608.
- Transfers to Charter Schools in Lieu of Property Taxes increased for 2019/20 by \$72,684.27.

- NCLB/ESSA for 2019/20 increased by \$7,884.27.
- Child Nutrition for 2019/20 increased by \$16,059.13.
- Special Education State Revenue for 2019/20 increased by \$13,432.26.
- All Other State Revenues for 2019/20 increased by \$28,949.39.
- All Other Local Revenues for 2019/20 increased by \$199,887.11.
- For 2020/21, there as an increase in Special Education Federal Revenue of \$3,266.60 and slight decreases in Special Education State, NCLB/ESSA and Child Nutrition Revenues.

Expenditure changes in the March 28, 2019 Revised 2nd Interim Report

- Rentals, Leases, Repairs, and Non Cap Improvements decreased by \$110,118.86 for 2019/20 and by \$114,993.86 for 2020/21.
- Professional/Consulting Services/Operating Expenditures decreased by \$101,000 for 2018/19, by \$121,000 for 2019/20 and by \$101,000 for 2020/21.

As with the 2nd Interim Report, the Revised 2nd Interim Report also failed to include any supporting documentation, and/or supplemental or narrative information explaining the new projections. The Revised 2nd Interim Report also fails to specify any “5%” set aside of reserves for economic certainty as required by the MOU. Rather, the Charter School explains on page 26 of its April 1, 2019 response to the first Notice of Violation that the “Rocketship network” “maintains a central reserve able to fill any expected needs for any individual Rocketship school, whether a 5% reserve was shown in that individual school’s fund balance or not” and their perception that this arrangement is permitted by general terms in the MOU. The Charter School’s response further asserts that despite their understanding, the March 28 Revised 2nd Interim Report actually “includes a 5% or greater fund balance.” Although the ending fund balance in the March 28 Revised 2nd Interim Report appears to equal at least a “5%” reserve, accounting for the reserve in this way as being folded into the fund balance rather than as a clear line item set aside is inconsistent with Charter School’s obligation under the MOU. The March 28 Revised 2nd Interim Report still contradicts the budget submitted with the Petition when the Charter was approved by the Board which projected a larger surplus.

Enrollment projection changes in the March 28, 2019 Revised 2nd Interim Report

Additionally, the March 28, 2019 Revised 2nd Interim Report includes significant changes to the Charter School’s enrollment assumptions, again with no supporting documentation or narrative information explaining the new projections. The new figures listed in the Revised 2nd Interim Report surpass the projections included in the original Petition when the Charter was approved by the Board, but include substantial decreases in the projected enrollment listed in the March 15 2nd Interim Report as depicted in the tables below:

2018-19	Original Petition	3/15/19 2nd Interim Assumptions	3/28/19 Revised 2nd Interim Assumptions
K-3	330	392	347
4-6	56	28	49
Total	386	420	396

2019-20	Original Petition	3/15/19 2nd Interim Assumptions	3/28/19 Revised 2nd Interim Assumptions
K-3	386	477	444
4-6	102	74	98
Total	488	551	542

2020-21	Original Petition	3/15/19 2nd Interim Assumptions	3/28/19 Revised 2nd Interim Assumptions
K-3	442	464	444
4-6	97	105	98
Total	539	569	542

As with the March 15 2nd Interim Report, the March 28 Revised 2nd Interim Report again failed to include any supporting documentation, and/or supplemental or narrative information explaining the new enrollment projections.

WHEREAS, the Charter School violated Education Code section 47604.33, and related sections in the Charter and MOU, did not adhere to generally accepted accounting principles, and engaged in fiscal mismanagement by failing to provide a complete and final 2nd Interim Report to the District on March 15, 2019. Rather, the Charter School submitted a Revised 2nd Interim Report to the District on April 1, 2019, which was adopted by the Charter School’s Board of Directors on March 28, 2019, as part of the Charter School’s response to the first Notice of Violation. The March 28 Revised 2nd Interim Report is filled with so many revisions that the District must deem the second submission as the Charter School’s final 2nd Interim Report. Accordingly, the Charter School’s final 2nd Interim Report was submitted untimely and beyond the March 15 deadline imposed by law, the Charter, and the MOU.

WHEREAS, the Charter School violated Education Code section 47604.33, and related sections in the Charter and MOU, did not adhere to generally accepted accounting principles, and engaged in fiscal mismanagement by failing to account for all information provided in the March 15 2nd Interim Report, including the projected insolvency, as well as the substantially different figures presented in the March 28, 2019 Revised 2nd Interim Report. Equally troubling are the vacillations in enrollment projections upon which the Charter School’s budgets are based. The vast discrepancies between the numbers/projections in both Reports, coupled with the substantial

revisions to the Revised 2nd Interim Report, with no explanations or supporting documents to describe the basis and/or rationale for all information presented in both Reports is grossly deficient on the Charter School's part. The March 15 2nd Interim Report and the March 28 Revised 2nd Interim Report also fail to specify a "5%" set aside of reserves for economic certainty as required by the MOU. The Charter School's claim that the March 28 Revised 2nd Interim Report does comply because it now "includes a 5% or greater fund balance," is alarming. By accounting for the "5%" reserve in this way as being folded into the ending fund balance, the Charter School is not treating the obligation to maintain the "5%" reserve as a fixed obligation which the MOU requires. To be perfectly clear, the "5%" reserve needs to be accounted for as a line item set aside to be consistent with the MOU.

Further, the Reports contradict the projections stated in the budget submitted with the Petition when the Charter was first approved by the Board which projected surpluses in all years of operation. It now appears that such projections were either misrepresentations to the Board to secure approval of the Petition, or that such projections have not come to fruition due to fiscal management by the Charter School. Accordingly, the Administration has no confidence in the figures/projections presented in both Reports, or in the Charter School's ability to manage a publicly funded annual budget of over Five Million Dollars (\$5,000,000.00).

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Board of Trustees of the District, having fully considered and evaluated the District's proposed "Second Notice of Violation" attached hereto as "Exhibit A," hereby approves immediate issuance of said Notice to the Charter School in accordance with Education Code section 47607 and its implementing regulations.

BE IT FURTHER RESOLVED AND ORDERED that the District Superintendent or her designee is authorized and directed to take such other action as she may deem warranted to implement this Resolution as approved herein.

PASSED AND ADOPTED this 10th day of April 2019 by the Board of Trustees of the Antioch Unified School District by the following vote:

AYES: _____
NOES: _____
ABSENT: _____

CERTIFICATION

State of California)
) ss.
County of Contra Costa)

I certify the above is a true copy of a Resolution adopted by the Board of Trustees of the Antioch Unified School District at a regularly scheduled meeting on Wednesday, April 10, 2019.

Dated: April 10, 2019

GOVERNING BOARD OF THE
ANTIOCH UNIFIED SCHOOL DISTRICT,
COUNTY OF CONTRA COSTA,
STATE OF CALIFORNIA

By: _____
Stephanie Anello
Superintendent

EXHIBIT A

SECOND NOTICE OF VIOLATION