

Antoinette Dunbar, Deputy Superintendent
Curriculum and Instruction

SUBJECT: REQUEST SCHOOL BOARD APPROVAL OF THE TERMINATION OF THE CHARTER SCHOOL CONTRACTUAL AGREEMENT WITH LIBERTY CITY CHARTER SCHOOL PROJECT, INC., ON BEHALF OF LIBERTY CITY CHARTER SCHOOL

COMMITTEE: INSTRUCTIONAL EXCELLENCE AND COMMUNITY ENGAGEMENT

LINK TO DISTRICT STRATEGIC PLAN: GENERAL OPERATIONS

Section 1002.33(8), Florida Statutes, and the contract between the charter school and the School Board, provide guidelines for the termination of a charter school contract and for the dissolution of a charter school.

History

The initial charter school contractual agreement for Liberty City Charter School Project, Inc., on behalf of Liberty City Charter School ("Liberty City" or "School"), was approved by The School Board of Miami-Dade County, Florida (School Board), on July 28, 1996, for a term of three years, commencing with the 1996-1997 school year. Subsequent amendments were granted by the School Board to update and renew the contractual agreement, increase the enrollment capacity, extend the term of the contract, allow the school to become a public employer, and authorize the operation of a second campus. Under the current contractual agreement, Liberty City is authorized to serve a maximum of 705 students in kindergarten through grade eight for a term of ten years, through June 30, 2014. Until the conclusion of the 2006-2007 school year, Liberty City was located at 8700 NW Fifth Avenue, Miami, Florida 33167, and served approximately 242 students in kindergarten through grade six.

Academic Performance

Liberty City is eligible to be graded under Florida's System of School Improvement and Accountability. Its most recent academic performance is as follows:

School Year	School Grade	AYP
2004-2005	B	Provisional
2005-2006	A	Provisional
2006-2007	C	Not met

C-38

Facility

At the conclusion of the 2006-2007 school year, Liberty City was evicted from its location as a result of a legal dispute between the landlord and the School. Due to the eviction and difficulty obtaining another facility prior to the commencement of the 2007-2008 school year, Liberty City sought assistance from the School Board to temporarily lease its facilities until a permanent location could be secured. The School Board approved a temporary arrangement in which Liberty City would occupy portables on the campus of Lillie C. Evans Elementary School for the duration of the 2007-2008 school year. In the temporary site, Liberty City currently serves approximately 185 students in kindergarten through grade five. Pursuant to state law, the District is not allowed to charge rent; however, the School reimburses the School Board for utilities, totaling approximately \$26,000 per year.

Financial Status

In 2006, the School's audited financial statements showed a net asset deficit of \$138,029. Also, current liabilities of \$274,907 were twice as much as the current assets. Moreover, the school also assumed \$594,109 in long-term debt. These financial obligations did not appear to be covered by sufficient resources and the School Board declared the school to be in a state of financial emergency pursuant to Florida Statutes, Section 218.503. The School submitted a financial recovery plan, as required, that primarily relied upon cost-cutting strategies, new grants, special fundraising events, and FEMA hurricane reimbursements. The plan was accepted by the Audit Committee and the School Board.

However, the 2006 financial recovery plan was unsuccessful and the School instead fell deeper into debt. The School's 2007 audited financial statements showed that it had an unrestricted net assets deficit of \$400,262 and a net assets deficit of \$215,708 and there did not appear to be sufficient resources available to cover these deficits. Also, the School's current liabilities were more than five times as much as its current assets and the School incurred an operating loss of \$359,465 during 2007. The independent auditor stated that these figures raised "substantial doubt about the charter school's ability to continue as a going concern." As a result, the School was again determined to be in a state of financial emergency pursuant to Florida law. Again, the School submitted a financial recovery plan. This plan, submitted in late December 2007, relied primarily on liquidation of real property. Although the plan states that the School expects the final sale to occur by January 31, 2008, the sale has not taken place. Furthermore, on January 29, 2008, the School Board's Audit Committee raised concerns about the acceptability of the plan and its reliance on the real estate sale and requested more information from the School. The Audit Committee deferred its recommendation on the plan to its next meeting on March 18, 2008. Pursuant to School Board Rule 6Gx13- 6A-1.471, *Charter Schools (K-12)*, unacceptable plans may result in termination of the charter contract.

As a result of the School's dispute with its former landlord that resulted in its eviction, the court ordered Liberty City to pay \$229,455 in attorney's fees and costs to the landlord's attorneys. In late January 2008, the landlord's attorneys garnished the School's bank account in the amount of at least \$60,000. The garnishment caused School checks to be returned for insufficient funds, teachers and vendors to go unpaid, and bank fees to be charged to the School. The School also owes its own attorneys \$165,000 for representation in the dispute and they have filed a lawsuit against the School to recover what they are owed. Furthermore, a final judgment was entered on December 20, 2007, in the amount of \$37,791 against Liberty City and in favor of Leaf Funding, Inc. Several other lawsuits against the School are pending. The amounts of damages being sought by the plaintiffs in those cases are unknown at this time. Final judgments automatically become liens on the real property owned by the School.

As a consequence of the court judgments and legal expenses, and despite Liberty City's significantly lower facilities expenses, an analysis of its current financial position indicates that the School may be determined to be in a state of financial emergency for a third consecutive year.

Additional Areas of Non-Compliance

In addition, despite several notices of non-compliance, Liberty City has failed to properly submit the following items:

- (1) Adequate insurance coverage for the facility, employees, directors, and Sponsor (*Part V, section F of Contract*);
- (2) Financial statements for the 2nd quarter of the 2007 fiscal year, in accordance with Generally Accepted Accounting Principles (*Part V, section A(8) of Contract*); and
- (3) A cumulative listing of property purchased with public funds (*Part V, section A (14) of Contract*).

Good Cause Basis for Immediate Termination of Contract

Section 1002.33(8)(d) provides that a charter may be terminated immediately "if the sponsor determines that good cause has been shown or if the health, safety, or welfare of the students is threatened." Here, the School Board may terminate this charter for the following good cause reasons as defined in the contract between Liberty City and the School Board:

- (1) Where the school has substantial debt or delinquency in payments to vendors or having finances in generally in disarray [Part II, section D(10)];
- (2) Where the school is financially impaired such that the school cannot continue to operate or the school is no longer economically viable [Part II, section D(11)];
- (3) Failure to meet generally accepted accounting principles [Part II, section D (13)];
- (4) Failure to manage public funds in a prudent or legal manner [Part II, section D(14)];

- (5) Failure to maintain insurance coverage as described in the Contract [Part II, section D(15)];
- (6) Failure to timely submit quarterly reports [Part II, section D(18)(a)]; and
- (7) Failure to comply with the timely submission of all financial statements in the required format specified by the Sponsor (Part II, section D(18)(b)).

Effect of Immediate Termination

Under the statutory and contractual provision governing immediate termination, the School Board must assume the operation of the School and continue operating the School at least through any timely appeal by the School to the State Board of Education. The School Board may not assume any of the debts of the School.

Liberty City's governing board and principal were noticed on March 4, 2008, of the intent to recommend immediate termination to the School Board. Should the School Board approve this recommendation, Liberty City's governing body may, within 30 days after receiving the School Board's decision to terminate the charter, appeal the decision pursuant to the procedure established in section 1002.33(6), Fla. Stat. (2007).

Copies of the notice of termination will be transmitted to the School Board under separate cover and will be available for inspection by the public in the Office of the Board Recording Secretary, Room 924, and in the Citizen Information Center, Room 158, 1450 Second Avenue, Miami, Florida 33132.

RECOMMENDED: That The School Board of Miami-Dade County, Florida approve the immediate termination for good cause of the charter school contractual agreement with Liberty City Charter School Project, Inc., on behalf of Liberty City Charter School.

LCR/MB/EOW:elg