

**Reference: Approved Minutes – May 9, 2007 Public Charter School
Commission Meeting**

**PUBLIC CHARTER SCHOOL COMMISSION MEETING
WEDNESDAY, MAY 9, 2007
650 W STATE STREET, 3RD FLOOR
BOISE, IDAHO**

A special meeting of the Public Charter School Commission was held on Wednesday, May 9, 2007 at the Office of Professional Technical Education, 650 West State Street, Boise, Idaho. Chairman Goesling presided. The following members were present:

Alan Reed	Esther Van Wart	Ann Souza
Gayann Demordaunt	Joe deVera	

Commissioner Paul Powell was absent.

Chairman Goesling called the meeting to order at 9:00 a.m.

1. Garden City Community School Update

Barbara Gaston, GCCS board chair, updated the Commission on current enrollment numbers for the 2007-2008 school year, lease termination agreements with Bob Jones and Pacific Mobile, and the budget and cash flow details submitted to Commission staff.

Commissioner Reed clarified with Ms. Gaston several details regarding GCCS's enrollment numbers.

Ms. Gaston said GCCS has decided not to limit class sizes but is accepting all applicants in order to maximize enrollment.

Commissioner Van Wart asked about GCCS's progress in hiring a new administrator.

Ms. Gaston said the board has started its search for a new administrator but has been too busy preparing documents for the Commission to focus on hiring.

Commissioner Van Wart asked how GCCS intends to make payroll, since its 2007-2008 budget shows a deficit.

Ms. Gaston explained that, with transportation reimbursement, GCCS will actually end the 2007-2008 school year with a positive cash balance of approximately \$20,000 in the "realistic" budget scenario. She said the GCCS community counsel, similar to a parent-teacher organization, is helping raise

additional funds and assist with recruitment. The community counsel's funds are managed separately from GCCS funds.

Commissioner Van Wart clarified with Ms. Gaston that GCCS is assuming half its kindergarten enrollment will take advantage of full-day kindergarten, with tuition, but interest in the program is anecdotal and undocumented at this time.

Ms. Gaston said that if the full-day kindergarten program fails to bring in the anticipated \$26,000, GCCS may need to access a line of credit or receive assistance from the community counsel, which currently has cash in reserve.

Commissioner Van Wart asked why some of the students who applied to GCCS for next year have since changed their minds.

Ms. Gaston said some students have decided to enroll at other new schools in the area, and some have moved.

Commissioner Souza asked for more information about the community members on the GCCS community counsel.

Ms. Gaston said there are currently no members who are not otherwise associated with GCCS, but the goal is to incorporate such members as part of the school's effort to impact the city as a whole. She said community members are getting involved through fundraisers and as the school shows progress, local business owners will likely join the community counsel.

Chairman Goesling asked how much work GCCS has done on obtaining grants. He also asked whether the school is up to date on its bill payments.

Ms. Gaston said little progress has been made on grant applications. She said the school will be back on schedule with bill payments in June, and that the May disbursement from the state will be used to pay several debts. She noted that, in June, GCCS will be obliged to use a line of credit or short-term loan that will be repaid in July.

Chairman Goesling asked staff when GCCS's May 2007 disbursement funds were earned.

Tamara Baysinger, Commission staff, said the disbursement is based on GCCS' best 28 weeks of enrollment for the current school year. She said the Department of Education will not know until July the exact amount due GCCS; therefore, it is possible that the school will receive an additional "cleanup payment" from the state at that time. If GCCS was overpaid, the school will need to reimburse the state.

Chairman Goesling asked if GCCS is comfortable with its lease termination agreements.

Brett Spencer, GCCS board treasurer, said he is satisfied with the payment amounts and schedules. He said all the debt should be retired by May 2008.

Commissioner deVera asked why the April 2007 balance sheet does not show the Pacific Mobile and Jones debt.

Mr. Spencer said the debts should be included but were left off in error.

Commissioner deVera expressed his concern that, if those liabilities were included, the balance sheet would show a negative equity of about \$23,000.

Commissioner Reed said he is concerned that GCCS is upside-down financially. He said the school has a serious problem with its ability to survive financially and is counting on too many optimistic assumptions.

Commissioner Van Wart asked how the educational aspect of the school is functioning while the board members focus on finances, especially as expenses for supplies and textbooks are being cut back to save money.

Ms. Gaston said that although the board is primarily focused on finances, the teachers and other staff continue to concentrate on academics. She did not have documentation of academic progress but cited favorable anecdotes about the program.

Commissioner Van Wart asked who is directing the school during the search for a new administrator.

Ms. Gaston said board members and community counsel members are helping in the front office and running staff meetings.

Chairman Goesling invited further questions from the Commission and, receiving none, said he would entertain a motion.

M/S (deVera/Van Wart): To direct staff to issue to Garden City Community School a written notice of defect on the grounds that the school has failed to meet generally accepted accounting standards of fiscal management.

Chairman Goesling invited discussion on the motion.

Commissioner deVera said he knows the school has encountered bad luck that has affected its financial state, but he made his motion based on GCCS's current negative equity and the fact that even basic attrition numbers would likely prevent the school meeting its enrollment requirements for next year. He said that, as a

banker, he prefers to see businesses with at least six months' cash in reserve. He would like to see GCCS increase its cash and equity through grants and donations. He acknowledged the school's importance to the children of Garden City.

Commissioner Souza asked for clarification of the timeline associated with issuance of a notice of defect.

Ms. Baysinger said that a notice of defect is only an indication to the school that the Commission has reason to believe that a defect has occurred. The school must be given time to respond with a written corrective action plan. Should the school fail to correct the defect within a reasonable amount of time, the Commission could issue a notice of intent to revoke the charter. Even after the issuance of a notice of intent to revoke, there is time for the school to continue work on correcting the defect.

Commissioner deVera said he would accept an amendment to the motion specifying a timeline for GCCS to respond.

Commissioner Van Wart said she wants to see actual documentation of GCCS's assumptions that are currently based on anecdotes.

Commissioner DeMordaunt said she would like a timeline to be specified in the motion.

Commissioner Souza asked whether there is a cutoff date that will ensure more state monies are not sent to GCCS if the school is closed.

Ms. Baysinger said that as long as the school has a charter, funding will continue to be sent on the regular schedule.

Commissioner deVera said he would like to see GCCS provide additional information by July so students may make plans for school attendance prior to the beginning of the 2007-2008 school year.

Ms. Baysinger said the Commission would need to set a due date for GCCS's correction action plan. She said the Commission may suggest what the plan is to include, but GCCS is not obligated to follow that suggestion. The timeline for actually remedying the defect will depend on the specifics of the corrective action plan.

Amended M/S (deVera/Van Wart): To direct staff to issue to Garden City Community School a written notice of defect on the grounds that the school has failed to meet generally accepted accounting standards of fiscal management; to direct GCCS to submit a corrective action plan to staff no later than May 30, 2007; and to request that the corrective action plan

include a plan for creating a cash reserve equal to three months' expenses, as well as a substantive estimate of enrollment for the 2007-2008 school year, demonstrating enrollment of at least 120 students.

Ms. Gaston asked if the Commission wanted GCCS to have three months' cash reserve in the bank by the end of July.

Chairman Goesling and Commissioner deVera clarified that the Commission would like to see a corrective action plan demonstrating what steps GCCS will take to establish a cash reserve.

Ms. Gaston said it will be difficult to build a cash reserve because no one will want to enroll their children in a school that is being closed down by the Commission.

Chairman Goesling clarified that the Commission is not closing the school, but is expressing deep concern about the GCCS's financial situation and offering a period of time in which the school may correct the problem.

Ms. Gaston said the key to GCCS's survival is enrollment, and families will leave when they hear a notice of defect has been issued.

Commissioner deVera said he understands the school's frustration, but it is the Commission's job to ensure that the schools it authorizes are run properly and serve children well. He said failure to fulfill this responsibility would ultimately endanger other charter schools.

Commissioner Souza clarified that the Commission is not requiring GCCS to have a cash reserve by a particular date. Rather, the motion is intended to direct GCCS to provide a substantive plan for returning to financial stability.

Chairman Goesling suggested that the amended motion be withdrawn and a new motion established, for the sake of clarity.

Commissioners deVera and Van Wart agreed to withdraw the original motion and amendment.

M/S (deVera/Van Wart): To direct staff to issue to Garden City Community School a written notice of defect on the grounds that the school has failed to meet generally accepted accounting standards of fiscal management; to direct Garden City Community School to submit a corrective action plan to staff no later than May 20, 2007; and to recommend that the corrective action plan include a plan for creating a cash reserve equal to three months' expenses (approximately \$195,000), as well as a substantive estimate of enrollment for the 2007-2008 school year, demonstrating enrollment of at least 120 students. *The motion carried unanimously.*

Commissioner DeMordaunt said she would like to indicate to the school's stakeholders that the Commission is neither expressing disapproval of GCCS's educational program nor revoking the charter.

Ms. Baysinger said the notice of defect and revocation processes are outlined in statute and rule, so school stakeholders may reference these for further understanding. She also said the written and audio record of this meeting will be available to the public via the Commission's website.

Commissioner Reed said it is important that the Commission not forecast that GCCS will be able to survive financially. Rather, it is the Commission's responsibility to follow the mandates of statute.

Commissioner DeMordaunt noted that although issuance of a notice of defect is the necessary first step toward revocation, such issuance does not require that the Commission actually complete the revocation process.

Chairman Goesling adjourned the meeting at 10:15 a.m.