

MINUTES
VSWEA BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY APRIL 15, 2020
VIA YOUTUBE LIVESTREAM: <https://youtu.be/EXRRebVMut8>

VIA ZOOM:
https://zoom.us/webinar/register/WN_hGOpTWYhR5Kldg2a02eTFw
DESERT MARIGOLD SCHOOL

MEMBERS PRESENT:

Matthew Walker – President (M.W.)	John Tanner (J.T.)
John Elling – Treasurer (J.E.)	Julie Haines (J.H.)
Gregory Schneider – Secretary (G.S.)	April Sauer (A.S.)

MEMBERS ABSENT

The President, Treasurer, and Secretary were present and a quorum was reached.

GUESTS

Invitees of the Board:

- Christie Kriegsfeld (C.K.)
- Laura Heaney

Members of the public present via Zoom/YouTube/Registration through Google Forms:

- Barb Cunningham
- Becky King
- Bobi Harshfield
- Colleen Pope
- Deborah Allen
- Daniele Ippoliti
- Jean Falconburg
- Jennifer Walker
- Jessica Jarrett
- Jill Thomas
- Juli Curtin
- Laura Heaney
- Luis Camacho
- Maria Cardenas
- Martin Duncan
- Nathaniel Williamson
- Sami Rank

OPENING VERSE

Meeting was called to order at 6:33 p.m.

INTRODUCTIONS

Board Members introduced themselves and review of meeting procedure occurred.

M.W. provided an overview of topics to be covered, instruction on how to log attendance at the meeting, and open meeting law compliance issues. Stressed the board's continued commitment to public, charter, Waldorf education.

BUDGET AND FINANCE

J.E. – Introduced Priscilla Garza to the meeting from Aspire. Shared news that DMS's application for a Paycheck Protection Program Loan (PPPL) was successful.

J.H. and M.W. shared their congratulated J.E. and the financial group on their efforts to make it happen.

Priscilla Garza: Provided an overview of Aspire's financial analysis.

- DMS is below standard because it is in a technical default on a loan. Although note to state indicates this is not a payment default and DMS is working to resolve this issue.
- DMS is below standard on cash liquidity because it only has five days of liquid cash, state is looking for 15-30+ days.
- DMS is meeting the standard for adjusted net income – school has adjusted net income of ~\$78k.
- DMS is below standard on lease adjusted debt service coverage ratio. Debts are too high compared to adjusted net income.
- On an average daily membership, the school is still meeting standard because of its annual growth rate.

M.W. – Given success on the PPPL, I would expect many of these to change to meeting standards, and for those already meeting, to improve even more.

Priscilla: Yes, with only exception being the lender who placed a notice of default.

Priscilla: Next page is about the Actual v. Budget for the 2019-20 school year. Overall, our state funding is up compared to budget, but our other revenues are down by \$75k. Explained the process of changing accounting practices for consumable fees that have not been paid this fiscal year, compared to past practice of writing it off as bad debt. As far as expenses, we are only about \$2,000 more than what we budgeted. But due to the revenue shortfall, our net income is negative \$34,550. Note that this includes depreciation, which is not an out-of-pocket expense.

M.W. – Can you give an example of what we would take in for revenue for consumables?

Priscilla – Normally families would be billed between \$250 – \$350 per child for materials that are not covered by state funds. But by law we cannot enforce collection of those fees, so it becomes optional. These fees also cover field trips, projects, snacks in the classroom, etc.

APPROVED 4/29/2020

Next page on this is the actual numbers restated and broken down.

Next page are all of the school's assets and liabilities, broken down by various categories. Total assets are about \$2.6 million.

Liabilities include various debts and amounts the school must pay, both short and long term, including payroll.

M.W. – Wasn't the accounts payable half of what is shown?

Priscilla – No, this is everything.

J.E. – The half was just accounts that are overdue.

Priscilla: Explained the additional long-term debts of the school, including mortgage and Crabtree loan.

J.H. – Where are tax credits and 403b funds located?

Priscilla – These are all rolled into different categories in these reports.

M.W. – You mentioned this looks better than it used to. How did it change?

Priscilla – The prior submit to the charter board showed a net income of -\$164k, but after correcting the audit with the state, we received additional funding from the state and were able to correct most of this. Looking at the profit and loss by month, you can see DMS had a very tough December. But after the audit, scrutinizing the expenses, policies and procedures, services, health insurance bills, etc., we were able to more fully understand the financial picture and really prioritize.

M.W. – Thank you so much to you and Jessica for your hard work on this. How can we avoid the state withholding funds in the future?

Priscilla – Make sure the audit gets done in time and is submitted. The school has already contracted services to make sure that this audit is done on time.

J.H. – Was December lower just because of the late audit?

Priscilla – Yes, because the equalization payment was much lower. But as a result of the audit, we have to more closely track financials.

M.W. – Yes, DMS did not have a good handle on day to day expenses. But Jessica and Priscilla have taken control of that. We are also way ahead on getting the audit on time this year. Last piece is what the result of the audit will be, but will be optimistic on that front.

J.H. – How is lack of revenue for after-care / private kinder impacting finances? What else can we do to plan for upcoming years.

M.W. – Part of the justification for getting the PPPL loan is the lack of revenue for those sources.

J.H. – How much is the PPPL for?

J.E. – We got \$406,400 for the PPPL.

Priscilla: Because we are in charter intervention and have to do quarterly financial statements we are having to clear up problems now, so we are way ahead on the audit because we are doing part of the audit as we go. Another thing that changed from last year to this year, in October/November our contract changed so we are there once a week, helping on a more day-to-day basis rather than oversight.

J.E. – Prior to the audit, we had the same auditing firm for almost 20 years. We had a new audit firm come in who pointed out a number of these deficiencies.

G.S. – Any delays on reporting obligations to charter board?

Priscilla – Nothing specific to the charter intervention package.

G.S. – Any thoughts on best use of newly freed up money?

Priscilla – You're supposed to have \$111k in Prop 301 bank account. Another one is the parent money that is supposed to be on hand to be in compliance. From there, make sure your bills are paid. It wouldn't hurt to put the money from the PPPL into a separate bank account.

G.S. – That money is already segregated into an account, J.E.?

J.E. – Correct.

M.W. – We have informed RSF of our progress on this and they have been supportive throughout this process. One of the things they pointed out is that the permitted uses is to pay mortgage interest. They suggested splitting the mortgage payment in two, one from the PPPL account for interest, the other from regular account for principal.

Priscilla – Right, and there are some forms for having payroll deducted from a new account that I can get to you.

M.W. – Obviously our intent here is to inject this money from the PPPL loan consistent with the idea behind the program, directly into the economy.

J.E. – What is regular education expense?

Priscilla – Teacher salaries, classroom expenses, etc.

J.E. – Do you have a document that provides the subcategories for that?

Priscilla – Yes, we can definitely break that down for you.

J.H. – Do we know if the March equalization payment has been figured out? Will April's be different?

Priscilla – Yes, it's booked in here.

M.W. – We did receive a long explanation from the state sticking with the position that the equalization payment for March is correct and what we will continue to receive.

M.W. – Let's circle back to the PPPL and how we can best make use of it. This is a great thing for the school. What do we need to do over the next few weeks to make sure we are maximizing our opportunity? We needed to create a separate account, which is already done. This is not unrestricted money, we have to use it in a very deliberate and thoughtful way – for payroll, and other items.

J.E. – Yes, payroll, utilities, and interest on mortgage. If we use it for payroll, which is how we calculated the loan amount, we can definitely make good use of it and free up money for other purposes.

J.H. – Can we use it to fix the 403b funding? That sounds like payroll?

J.E. – We need to check for sure, but there are resources we can use to verify.

M.W. – I agree, Prop 301 payments, 403b if we can use it for that purpose, and then there's the flat payroll itself, and then mortgage interest. If we use it for payroll for April/May/June, we can then use other money to catch up on our finances.

Discussion ensued between Priscilla, J.H., and G.S. about the Prop 301 funds.

M.W. – Having a plan put together, can we get that in the next two weeks?

J.E. – Yes, absolutely.

M.W. – Already in contact with Priscilla, should also be talking to Jessica about which vendors we need to prioritize as well.

J.H. – I thought I had heard our payroll for the last two times was \$134k, but J.E. you just mentioned \$164k for monthly payroll, how did you get there?

J.E. – There are other costs associated with payroll, including taxes and insurance that makes up the difference.

M.W. – If for some reason there's money left over after permitted (forgivable uses) we would have to figure out what to do with it.

G.S., J.H., M.W. J.E. discussed strategy in that situation.

G.S. – discussed the deadline for spending the money to obtain forgiveness.

A.S. – Would love to see a high level summary of what the action plan is and when we need to spend the money by.

J.E. – Absolutely. Good idea.

M.W. – Next topic – RSF social finance. We have been in touch with them about PPPL and they are on board. With respect to our existing loan with RSF, they have asked us for a set of financial information by May 1 in order to proceed with refinancing. The relationship between DMS and RSF appears to be in good shape and we are making good progress on negotiating the terms of the loan after the current one expires in September/October.

M.W. – Annual budget. J.E., any updates? Know you have been busy with PPPL.

J.E. – We asked C.K. to get us information about the grades and we will be focusing on the budget in the next month.

C.K. – We are getting, per the board’s directive, numbers together about enrollment, scope of programming, renewal/non-renewal of faculty contracts. We are getting information on a rolling basis and updating it as we receive it. We should have something workable by the next board meeting.

J.H. – What do you think M.W. about payment strategies? Is this an update from the financial team?

M.W. – Any guidance we would have given to Jessica has changed in light of new money from PPPL and we need to figure out order of priorities. Questions from Jessica: Should we prioritize LDC stipends? How should we apply circus club fees?

J.H. asked what happens to tax credit funds and discussion with C.K., M.W., G.S., A.S., and Priscilla ensued. General conclusion: any tax credits donated that are designated for a specific purpose are restricted and must be used for that purpose and can roll over to the next year for that purpose.

BOARD PROCEDURES

Response to public comments

G.S. – Gave a response to public comment that constructive feedback is helpful and welcome.

Board applicants

M.W. – There are six applicants. Board is limited to 11 people by our by-laws. There is one application we should discuss specifically – Nathaniel Allen. He expressed interest by April 1

deadline, but there may have been some confusion about whether he could apply. I invited him to send a resume if he was interested, which he did shortly thereafter (but not on April 1).

A.S. – Yes, there was some information put out about the “ideal” makeup of the board.

M.W. – So we should come to a decision on whether we want to consider his application.

J.H. – Has everyone else met the 2-meeting in the last six month requirement?

M.W. – Yes, I believe so, but would have to double check.

J.H. – Didn’t he also send additional information?

MOTION: M.W. – Do we need a formal vote? If so, I would move that we consider his application as provided to the board. G.S. seconds. Discussion ensues.

J.H. – Leans toward considering the application in light of board’s prior leniency toward considering her application.

A.S. – He expressed his interest on time and gave the information very quickly when we asked him for it.

J.H. – But if he really wanted to be on it, why didn’t he have the paperwork ready to go? Not saying no, just saying that is an inconsistency.

J.E. – Expressed concern about setting a precedent that would be difficult to explain. Why are we deviating from the procedures?

M.W. – My concern is he may have been discouraged from applying.

G.S. – Urged the board to operate on substance rather than form, not be overly technical.

J.E. – Agree, but think we should have an explanation.

Further discussion ensued between all members of the board.

VOTE: Yea: A.S., J.T., M.W., G.S., Opposed: J.E., Abstaining: J.H. **Motion passes.**

M.W. – Round one of interviews would commence April 29, and hold normal business until after that is done. Then we would vote on their candidacy at the May meeting.

J.T. – G.S. have you thoroughly vetted whether each of these candidates otherwise met our criteria?

G.S. – They appeared to facially meet the criteria, but need to check the minutes to verify meetings attended.

A.S. – What is the LDC’s involvement in interviews of board member candidates?

G.S. – Per our procedure, there is an informal meeting with an LDC member, but that is not the interview process.

Updating financial accounts

M.W. – Some of our old accounts still have prior board presidents’ names on them, we need them to be changed. Getting added to the charter contract.

G.S. – Would propose we authorize Matt to update whatever he needs to do.

C.K. – I have many of those documents ready to update the charter board.

M.W. – Not sure what magic language we need to give that authority.

C.K. – Don’t need magic language, just need clarification on who the charter holders are going to be moving forward. Currently the charter holders are Heather Huentelman and Jimmy Wahbeh.

J.H. – Move that we add Matthew Walker and Gregory Schneider to be the charter holders for DMS and to remove Jimmy Wahbeh and Heather Huentelman. A.S. seconds. No discussion. Vote: Unanimous in favor (A.S., G.S., J.E., J.T., J.H., M.W.). Motion passes.

M.W. – Board working groups. May have not been clear about committees. At March 18 we created two committees. My intent was for informal assignments for board members – each go out and do some work and bring it back to the full board, have a discussion as a full board, and then make a decision on action. Was not intending to delegate the board’s authority to act to the committees or that they would go out and have their own public meetings and act on those motions. Would like to clarify that I was just looking for volunteers for specific areas. To the extent we made formal committees, I’d like to undo them – (1) budget and finance committee; (2) executive director search committee.

Discussion with M.W., G.S., and J.T. ensued.

Motion – M.W. move to dissolve the budget and finance committee and executive director search committee that were created at the March 18, 2020 meeting. A.S. – Second. No further discussion. Motion passes unanimously (J.E., G.S., J.T., M.W., A.S., J.H.).

M.W. – Next regular meeting is April 29, 2020, then next regular meeting is May 20.

M.W. – Moves to approve minutes from April 1, 2020 meeting. J.E. seconds. In favor: J.E., M.W., J.T., J.H., Opposed: none, Abstaining: G.S., A.S. Motion passes.

Five minute break commenced at 8:56 p.m.

Meeting resumed at 9:03 p.m.

COVID-19

C.K. – All schools closed through the rest of the academic year. We continue with the distance learning program. We are working through some technical difficulties, but so far everyone has been very patient. We continue to provide paper packets every week. We are currently working on a plan to get into the classrooms so we can gather and return personal items in the most efficient way possible. We are going to use this time to clean/pack up, and move classrooms into next year's classroom per the usual progression. We continue to work on the budget with J.E. and Aspire. We have launched a re-enrollment survey to address the changing life circumstances of our families. 96% of families responding indicated they plan to re-enroll. We have opened the re-enrollment portal as of today. We don't next year will look like but we are working on it. We are following all ADE guidance to make sure all student needs are met. Clarification: survey we sent out was not a parent satisfaction survey, it was just a pulse of where families are at in terms of re-enrolling so we can manage our budget process. In terms of student support we are using many online platforms to deliver student services in line with academic and state requirements.

M.W. – The survey was actual re-enrollment or just checking intentions?

C.K. – This was just a survey – not actual enrollment, and to check on our families. Actual enrollment is commencing.

A.S. – At the last parent council, many parents were willing to help with distributing materials to families. Question: student support services – many schools are offering these through Zoom and that sort of thing. What does it look like for people who need to be evaluated?

C.K. – There are a lot of changing guidelines (and approaching deadlines, which are fluid), so we are working with parents to try to meet virtually, but some of these may be delayed until the fall.

M.W. – We may be able to use PPPL funds for hourly employees. Can you check on that?

C.K. – Yes, absolutely, will work with J.E.

M.W. – Along those lines, would be good to start getting information about facilities needs (like air conditioners) that need to be fixed/repaired/improved/invested in, whether they are part of the budget or if there is opportunity to do something about them now.

C.K. – Yes, J.T. has been working with Steve Pawlo to distribute a list.

J.T. – I can forward that to the board.

C.K. – We have also been working with Priscilla on a budget to fill in those needs for next year.

M.W. – How are the faculty staff doing through all of this?

C.K. – They miss the kids, miss the parents. Doing what they can to maintain those connections and provide good assignments and communicate with the kids and send all their well wishes to the families.

M.W. – We sure wish them well and know that we are thinking about them too.

J.H. – I’ve had a few parents talk to me and they brought up some of the specialty teachers. Kids are still receiving those services?

C.K. – Yes, specialty teachers are providing lessons and things to work on. It is a challenge to do it remotely, but we are working together on it, incorporating feedback, and refining the process.

M.W. – Where are we on faculty contract renewal?

C.K. – We expect to have that finalized very soon. That is playing into the budget process as well. We hope to have more clarity and finalization by the end of the month.

G.S. – How is retention of hourly employees?

C.K. – There are a couple who were not able to continue working due to family situations, but they intend to come back. A couple voluntarily went on furloughs but are also available and planning to come back. We have kept everyone else.

EXECUTIVE DIRECTOR

M.W. – The search process is going slower than I’d like. Many of the people we want to talk to are themselves swamped dealing with COVID-19. I did speak with Liz Bevin, the president of the Alliance for Waldorf Education (the “Alliance”). She has been very helpful and very will to assist and be supportive. She posed some interesting questions:

- In her view, our school head does not need to be Waldorf trained. It’s likely helpful, but not required in her view to be an effective administrator.
- She asked a lot about the LDC, how it’s functioning, how they interact with the Executive Director, the leadership structure at the school and whether we would be changing it.
- She is also trying to put me in touch with others who have gone through this process.

J.H. – I’ve been in contact with multiple schools and a couple different individuals. Some of them I’ve only been able to arrange meetings. I’ve connected with Joan Treadaway who has been in Waldorf for over 50 years. She does childhood consulting services, remedial Waldorf, she is local to Arizona. She is the president of the Arizona Council for Waldorf Education (ACWE). She brought up a few similar topics:

- What are the goals for DMS as a Waldorf school? What is needed for that?
- What are the pre-requisites to searching for an executive director?
- Is the LDC serving DMS as the board intended it when it was put in place?
- When will we be re-evaluating the LDC structure, functionality?
- That is the foundation the executive director will be standing on.
- We are a relatively new board and we are trying our best, but we need to evaluate the current structures to see if we can build on them.

A.S. – I was tasked with just looking at charter schools in general and how their executive director functions and job descriptions. One key takeaway I had on key responsibilities was to break down the different categories of function (culture, etc.). Talked to head of a Montessori charter school. Two things I learned:

- they have a head of school (executive director position), that person along with HR and CFO, run the business side of things,
- and that group helps to facilitate the directors of the different grade levels (similar to our realm chairs)

M.W. – To be perfectly obvious, the job description for the executive director needs to outline their responsibilities. But that also means there are things that are excluded, and we need to be very intentional about what goes on and what stays off, and why. Many people with a lot of experience in this world are saying we should examine whether the LDC is working the way the board intended it.

J.H. – I think we really need to evaluate the current setup before we considering placing someone new in the executive director position.

G.S. – Is there any subtext here from people that there is something that's wrong with the LDC? That's what I'm hearing, but not sure what the 'something wrong' actually is.

M.W. – In talking with Liz, it was just that there are many organizational structures a school can have.

J.H. – Definitely a subtext there, and definitely a questioning if this is really working.

G.S. – My perspective is that the school very recently did a deep soul searching about what leadership structure it wanted to have after the board removed an executive director. Not clear to me why we need to start from scratch with that process.

Further discussion ensued between J.H., M.W., and G.S.

M.W. – This is not a knock against anyone in any of these positions, but we have an imperative as a board to get this right, so we need to consider what roads we need to take.

J.H. – My contacts have also given their guidance for free, and are willing to continue to do so.

J.T. – Why not have a conversation with the LDC about how and why we are where we are? Why go only to outsiders?

General discussion ensues with M.W., J.H., and A.S.

M.W. – We want to hear input from as many sources we can get.

J.T. – I've been at the school since 2004. I'd be happy to tell you what I know.

A.S. – Can me, M.W., and J.H. meet with LDC consistent with open meeting law?

M.W. – Maybe, but we might need J.T. to only wear his “LDC” hat at that meeting. We need to double check.

C.K. – The LDC would be happy to provide their perspective on the history and to meet with any willing member of the board.

J.T. – Yes, we are eager to demonstrate all that we have done over the last two years to support the school.

C.K. – It was an all-staff effort and I’m happy to provide documentation about how we got to that point. Lisa Maynard is also interested in sharing her perspective as she leaves the school to pursue a new opportunity.

General discussion ensues about best way to talk to LDC and convey information about it, with M.W., G.S., J.H., A.S., and J.T. participating.

PUBLIC COMMENT

Barb Cunningham: Questioned the turnover of board members at the school and whether the school had been “pirated” by others.

Adeline Carrera: Shared a Rudolf Steiner quote.

Logan Carrera: Urged the board to evaluate the governance structure of the school to be consistent with successful public Waldorf schools.

Debbie Allen: Shared her experience working on the 301 committee and the change in leadership, and the subsequent flourishing of her teaching career that ensued – in contrast to prior decisions that were neither fiscally sound and based on popularity. Implored community to move forward from calls for removals and commended the board, LDC, and executive director to do their work.

ANNOUNCEMENTS

Next regular board meeting: 4/29/2020, 6:30 p.m., via YouTube live stream and Zoom webinar, links forthcoming.

CLOSING VERSE

J.H. – move to adjourn, G.S. – second, Vote: Unanimous (J.H., G.S., J.E., M.W., J.T., A.S.).

Motion passes.

Meeting was adjourned at 10:17 p.m.

Prepared by G.S. on 4/15/2020 and revised on 4/27/2020, incorporating comments from M.W. and A.S. herein.