

Career Academy of South Bend, Inc.
Minutes of Meeting of Board of Directors
July 28, 2011

Directors Present: Larry Garatoni, Tracy Graham, Steve Hartz, Rob Staley, James Summers, Suzanne Wiwi
Absent : Vivian Sallie
Also attending: Yolanda Turner-Smith, Seema Timble

A meeting of the Board of Directors of Career Academy of South Bend, Inc. (the "Corporation") was held at the school's temporary office, 3605 Gagnon Street, South Bend, Indiana, at 3:45 pm on July 28, 2011, pursuant to notice posted at the entrance to the building.

- A. Call To Order: Larry Garatoni presided and called the meeting to order.
- B. Records & Review of Prior Meeting: Larry asked for approval of the minutes and the memorandum of the June 23 meeting. Upon motion duly made and seconded, the draft minutes and memorandum were approved.

Rob Staley said before going on to other items, he wanted to follow up on some points from the prior meeting (he wasn't at the prior meeting but wanted to respond to items mentioned in the minutes).

Responding to Tracy's question about possible conflict between students from different neighborhoods and ethnicities, Rob said his experience at The Crossing is that while it can be a problem, a school culture can overcome that, even for students with backgrounds in rival gangs; it's a matter of setting the culture.

As to Yolanda's comment about the difficulty of getting good turnouts for open house meetings, Rob said it might be useful to organize open houses on a neighborhood basis. Yolanda said she'd tried this & has found that turnouts do as well at community centers such as the Charles Martin center.

Rob asked about the school having a Special Education Director and a special ed teacher. Yolanda explained there will be two teachers: the Special Education Director is a teacher as well as manager of the program. Rob said his experience is that the percentage of students needing special education services tends to be steady at about 25%. Yolanda said that was what the school is expecting.

Responding to James' point about the need for measuring academic success taking the starting point into consideration, Rob said the NWEA test system¹ is excellent & recognized by the Indiana Dept of Education. Yolanda said the school plans to use it.

On the issue of performance evaluations for teachers, Rob asked if the plan is to use the state's format. Yolanda said she's started with Indiana's TAP (Teacher Advancement Program) system but is going beyond that, in part because the state has closed its TAP pilot program and the data available is limited. Rob said The Crossing has developed an evaluation program starting from TAP, it's written for The Crossing but could be a better starting point for the school. Yolanda said great, she's also reviewing another TAP-based system but welcomes Rob's input.

Rob said he liked the use of "team members" for students and "team leaders" for teachers, and he especially liked the plan for teachers having responsibility as homeroom teacher/advisor for a group of students for several years. Yolanda explained these student groups will be called cohorts. Rob said this is a good step towards what he thinks is most important for the school to succeed: forming strong relationships between students and adults.

Larry commented that he's been impressed by The Crossing and thinks it would be beneficial for the board to visit a Crossing school. Rob said that can be arranged anytime, go to www.crossingeducation.com/ and call the South Bend campus, on South Michigan, the receptionist (Stacy) can schedule it, The Crossing has people walking in every day, it's run on an open basis. Yolanda said she's talked to some of The Crossing's teachers. Larry said he would follow up & send out an email to the board with possible dates. Rob said it's a different model, but it might be useful for board members to listen to a "Family Time" session.

Larry suggested that Rob explain The Crossing's "Family Time." Rob explained this is a half-hour discussion, done every schoolday. Kids have told him they could go to school at a lot of places, but usually no one listens to them; "Family Time" is a big part of building relationships. It's discussion of life issues: kids may talk about problems with their families, or in a job, or concerns about future plans. Sometimes broad topics are discussed ("how can there be a god when there's so much suffering?"). It engages kids and gets them thinking at a high level. Larry said that a lot can be learned from The Crossing about how to establish a culture. Rob said the first week of school is important: The Crossing devotes the first week to team-building exercises, which sets the tone for the whole year.

C. Treasurer's Report: Larry presented the updated treasurer's report, a continuation of last month's report, starting from the Corporation's formation. The \$587,000 cash is mostly from the "Common School Loan" of roughly \$582,000 received

¹ Northwest Education Association's "Measurement of Academic Progress" (MAP), see www.nwea.org.

from the state. One might expect this to be revenue rather than a loan, since it's the state's payment for operations for the period until January 1, 2012, but the way charter school finance is set up in Indiana, the payment is made as a loan rather than tuition revenue. Similar loans will be made as more students are added, this year and in coming years, as will be explained further at the next board meeting.

Rob asked about the \$90,000 payment to GEO Foundation, was that much really earned? Larry explained that although it was decided not to use GEO for management of the school, there was substantial value obtained from GEO in getting the school started, not only in obtaining the charter but follow-up work, especially advice and service in establishing the school's information technology system, which would have been very difficult to do without GEO's help (the IT system has been moved from a GEO server to the school's). Steve said GEO's bills were itemized and reasonable. Larry commented that after a short period of friction when it was decided not to go forward with management services, dealings and discussions with GEO have been amicable.

Upon motion duly made and unanimously approved, the updated treasurer's report was approved.

D. Staffing Plan And Salaries: Yolanda distributed a revision to the staffing plan and salary summary that had been sent out on July 26, showing the projected employees & cost (base salary & projected bonus) for each. [Suzanne, who missed the first part of the meeting, arrived at this point.]

Yolanda explained the staffing plan is based on having 375 students, so far there are slightly more than 200 students signed up; to some degree, hiring will be phased as the number of sign-ups grows. The positions listed in bold identify those for which offers have been made but not yet accepted. This is changing daily, there were some offers made today that haven't been incorporated in the document. One goal is finding candidates with dual certifications (most likely math + science or English + social studies) for the flex positions. The assistant team leader positions are appropriate for someone starting a career, not yet ready to handle a classroom independently but licensed & able to contribute (one of those positions has been filled). The social studies positions haven't been filled, but that shouldn't be a problem, it's the math & science positions that are hardest to fill. There are many candidates, but finding a fit for our culture is the issue. Suzanne said it's been her school's experience, too, that math/science positions are hardest to fill. Yolanda said the most experienced math/science candidates tend not to be good culture fits, and many of the fresh-starts, having had prior non-teaching careers before going through the "Transition To Teaching" program, are expecting higher pay than normal for newly-licensed teachers. Rob asked what's the salary range for a fresh-start. Yolanda said \$30,000-\$32,000, depending on experience; student teaching in an urban environment or with IEP students is a plus. Tracy asked how this compares with public schools. Yolanda said public schools are at about \$32,000 this year, so with our system of bonus potential for up to \$4,000 and greater opportunity for

extra earnings teaching summer school, we're competitive. Yolanda explained the project cost assumes all employees will earn the bonus. Larry asked about the age range of candidates and hires. Yolanda said many are young but there's a broad range; for example, one of the science teachers is in his late 50's, starting a second career after going through "Transition To Teaching" and having done nano-technology research at Notre Dame. Responding to Yolanda's comment that math/science positions are harder to fill, Rob said The Crossing keeps & can send a spreadsheet of past applicants, with quite a few math/science candidates. Yolanda said there's a good mix of experience & enthusiasm. Rob said for creating a school culture, fresh-out teachers are a plus, public-school experience often creates habits that can be an obstacle. Tracy asked if hiring is on-schedule. Yolanda said there's pressure, the goal was to have all teachers hired by July 30. Suzanne asked if all the positions on the schedule need to be filled. Yolanda said that will be necessary if the school gets to 375 students. Teacher orientation will start August 8.

E. Budget: Larry explained that while the projected income statements show sizeable losses, that's somewhat misleading for a number of reasons. Cash flow is considerably better than the loss figures would imply, since the budget is based on Indiana's odd system whereby the primary source of funding for the operations until the beginning of 2012 (and similarly in future years for increases in students as higher grades are added) is by a form of loan (the "Common School Loan"); but those loans are at very low interest rates, payable starting years in the future and over a very long time, and there's a significant possibility that payment will never be required. There's also some uncertainty about the effect of recent legislation which by its terms appears to provide additional tuition revenue, but which the IDOE has not yet implemented. Larry plans to cover this in more detail at the next board meeting. Looking at the summary page of the budget as distributed 7/26, Larry pointed out at the bottom the figures showing that for cash flow purposes (or treating the Common School Loans as income rather than loans), the first year loss of roughly \$665,000 becomes positive cash flow of slightly over \$750,000, which is a 1.52 multiple over the projected debt service. Rob asked what's the assumed per-student payment. Steve said that this is based on \$6,173/student, which is the SBCSC figure on which our tuition (& the Common School Loan) for the coming year will be based, as per projections provided to us by the IDOE.

Suzanne asked the lawsuit challenging Indiana's school voucher law might have an effect on the school. Steve said it will not.

Tracy asked what's the school's break-even, i.e., how many students will the school need in order to be able to pay its operating expenses. Steve said that's very difficult to determine, since there are so many unknowns for which assumptions have to be made, such as the number & complexity of students with special education needs. Rob said this is a problem for all schools, and good reason for holding off on at least some hiring of staff until the student population is known; Rob's schools usually finish

hiring in September, after school has started. Yolanda said while that's logical, she does not want to wait until September to finish hiring.

Steve pointed out that it's not unusual for students to transfer after school starts, so by the ADM date (the "count day" for "average daily membership" purposes, used for determining annual tuition revenue; this year, September 16), there's an opportunity to pick up additional students vs. the first day of school. Rob noted this is also a risk, as students may leave for any number of reasons.

Tracy asked why the project income statement shows a \$665,000 loss before debt service and \$752,000 income after debt service. Larry explained the \$752,000 isn't "income" in standard accounting terms ("GAAP" – generally accepted accounting principles), but for understanding the financial feasibility of the school, it's necessary to view it on a cash flow basis, or as if the Common School Loan(s) were income. Tracy asked what amount of Common School Loan(s) is assumed for this purpose. Larry said the projection reflects that we've already received an initial Common School Loan of \$585,997.65, based on the 155 students signed up as of the loan application date in mid-June, and we will seek a further loan after ADM day, which if we reach 375 students would result in a catchup loan of \$831,738.60. The total projected Common School Loan funds, \$1,417,736 is the difference between the \$665,000 loss and the \$752,000 "income."

Steve pointed out that the school won't actually receive any tuition revenue until January of 2012, at which point it will start receiving monthly payments of 1/12 of the "annual" ADM rate (projected at \$6,173), which will continue through December 2012. On adding a grade at the start of the 2012 school year, the Common School Loan process will be repeated: there won't be any tuition revenue paid for the 2012 student count until January of 2013; the school will receive tuition revenue in the fall of 2012 at the 2011 student count rate, and will seek an additional Common School Loan covering the increase in the number of students for fall 2012 over fall 2011. The same thing will happen when grades 11 and 12 are added in the fall of 2013 and 2014; so not until January of 2015 will the school's operational finances be stabilized as between cash flow and GAAP income. After that, the school will receive tuition revenue based on the actual number of students (that is, the number who are in school on the ADM date), but with rates determined & paid on a calendar year basis rather than a school year basis.

Tracy asked if the Common School Loan(s) will need to be paid back. Yolanda said yes, the State has given us a repayment schedule: the Common School Loan(s) we're receiving now will need to be repaid over 20 years at 4% beginning July 1, 2013. Similar terms will presumably apply for future loans. However, Larry said, from discussions with the Indiana charter school association, there will be an ongoing push for legislation to eliminate the requirement of paying back those loans; and considering the past success of the association in getting laws passed to defer the date that repayment was required to begin, the potential for the loans to be forgiven altogether is

significant. Of course, financial statements need to be prepared by standard accounting principles, and per GAAP, these are loans, i.e., it must be assumed we will need to repay them. Tracy asked if the school is prepared to cope if in fact the loans need to be repaid. Larry said he understands that is a possibility, and the Garatoni Family Foundation is prepared to provide the necessary funding, if need be. Aside from the Common School Loan(s), the school has basically received no funds other than from the Foundation, so in effect the Foundation has been acting as a bank, with the expectation of getting most of those funds (all but a \$1 million contribution) back when the long-term financing for the school is obtained. Larry said he plans to provide a more detailed explanation of the finance situation in the future.

Rob commented that as complex as this is, it's highly unlikely that it can be explained so that it will be understandable to the Board. That's apart from the fact that Board members are busy; this is so complicated that businessmen who deal with it can't explain it; the Department of Education can't explain it; it's not a rational system and isn't designed to be understandable. Rob added that another critical irrationality of the system is that the funds that are promised may well not be paid as promised: when the first installment of tuition revenue is supposed to arrive in mid-January, it may not come; it may take months; it's a political process, and the state pays when it wants to. That's what school superintendents need to deal with.

Upon motion duly made and unanimously carried, the board approved the operating budget, as well as the staffing report on which it was based and the treasurer's report (as presented per sections C, D and E of the agenda).

F. Statement of Principles For Staff Handbook: Larry asked the board to consider the proposed statements (as sent 7/26) to be included in the staff manual.

After a few minutes for reading the "Mission and Philosophy" statement, Larry explained these were based on extensive discussions he's had with Steve and Yolanda, as well as what he's learned from his experience as a member of The Crossing's board, and meeting with their students. The key point is to make clear to students that the school cares about them, and will listen to them, while at the same time motivating them to do their best. Larry said that's what makes The Crossing work, and our school needs that spirit. Rob said the school is well under way because Yolanda "gets it" – which is unusual. Most teachers operate on a "dictator" model: I have the knowledge, you don't; sit down and listen to me. That doesn't work with most students; there needs to be a team atmosphere, including a dialogue about rules, and that's not an easy culture for a school to create. Larry said one way of summing it up is to teach students as adults to the extent possible, since people tend to respond to expectations; obviously they won't always act like adults, but if they're treated with the right expectations, it creates incentives for adult-like responses.

James asked what's the expectation for relations with parents. Yolanda said the intent, as reflected in the manual, is for close and ongoing relations; not just a report once a semester or a notification that something is wrong, but ongoing communications between parents/guardians and team leaders (as subject matter teachers and as advisors). If the only communications are negative, parents may stop listening; getting parents involved is an important part of school culture. James said it's important for the culture of respect to include parents and guardians; even if home circumstances are difficult, the staff should be careful not to assume that anyone is a bad parent. Yolanda said one of the ways of demonstrating respect for parents is to operate on an open-door basis: parents can come in and observe the school at any time, unless there's testing going on and it would be distracting.

Tracy said he likes the team concept but the staff needs to keep in mind that parents are a critical part of the team, and it's important for students to see that their parents are involved. Yolanda agreed but added that we should take to use the word "guardian" to make sure that in situations where a child is relying on a non-parent, perhaps an aunt, there's no feeling of exclusion.

Tracy added that while the statements of principle are very useful in communicating with the staff, it's important in communicating with students to have a message that can be boiled down to a few words that will stick. Having played football for Lou Holtz, Tracy said, he was deeply impressed with Holtz's way of teaching and creating a team spirit. It worked even though team members came from utterly different backgrounds. There was a simple message about how to act: (1) do right; (2) do the best you can; (3) treat others as you like to be treated. Those points were repeated, over and over; by constant repetition, they made a deep impression. In the same way, Holtz taught what it means to be a member of a team rather than acting only for yourself: by actions, keep asking and answering (1) can I trust you; (2) do you care about me; (3) are you committed to something bigger than yourself? We need a message that will stick. It has to be simple, it's a good moral lesson to start with "life is simple"; it works much better to remind kids to do what they know is right than to try to tell them what's right.

Rob said The Crossing uses messages that are short enough to be on banners on the walls. Steve agreed, saying he remembers that at the school he went to, there were four statements that were constantly repeated; every kid became so used to those statements that they became second nature. Rob said The Crossing uses the acronym "RELIT" to stand for the things that matter: Relationships; Love; Integrity; Truth; constant repetition keeps those values on everyone's mind. The school gives out t-shirts with "RELIT" on the back; but the kids don't get the shirts without saying what "RELIT" means; and they're asked repeatedly what it means; shouting it out gets it into the heart.

Rob suggested a couple of points about parent communication. One, in order to make a parent feel involved, any time a kid isn't in school, the school should call the parent, *within an hour*, to make sure the parent knows. Two, within the first ten days of school, every parent should be contacted by phone or by a card from each of the kid's teachers, with a positive message to let the parent know that the kid is doing well, is a great kid & welcome at the school.

Tracy commented that team spirit in some ways requires breaking down standoffishness; there's no team spirit if everyone acts like a star. Larry commented that creating a team spirit at a school is in some ways like a sports team: there will be students from very different backgrounds, and they need to feel connected with each other. Yolanda commented some of the students are from higher income backgrounds than had been expected, there will be some big differences. Tracy said he would send some materials that he has from Lou Holtz.

Larry then asked the board to read the "Staff Principles" statement. Tracy said while he agrees with what's said, the most important point isn't stated: to be an effective teacher requires passion. Passion is what makes someone an effective public speaker, effective in conveying any message. Rob agreed, there needs to be a sense of being "on a mission"; and kids can instantly sense whether a teacher has that spirit.

Rob asked if the school has a comprehensive development plan for teachers. Yolanda said there will be professional development events throughout the school year. Rob said he believes that the goal of project-based learning will be a big challenge: PBL is hard for teachers; inevitably teachers will want to pull back, into their comfort zone. Yolanda said the teacher orientation before school starts will include multiple projects, with leadership from Chad Addie (Education Manager) and others with PBL experience.

G. Status Of Manuals: the staff manual and team member (student) manual have mostly been written but are not yet completed.

H. Financing Plan And Funding Proposal: Larry explained the "Request for Funding" as circulated 7/27 is a short version of the document he will be using with banks and potential donors, such as the Leighton Foundation and Asante Foundation.

I. Legal Structure: Larry said he would not try to explain this any further but since it's been concluded that the assets should be transferred from CASB Realty Corp to CASB, there should be a resolution (as circulated 7/26) for CASB to accept the assets and associated. Tracy made the motion, which was duly seconded, and the resolution was unanimously approved.

J. School Leader Report: Yolanda said there needs to be a board resolution approving the change of the school calendar for the first day of school to be August 29. The motion made, seconded, and unanimously approved.

Yolanda reported the student count is now at 213, with 98 female and 155 males, but this includes a few students who are beyond ninth grade; potentially they might repeat ninth grade, but that's doubtful, so the 213 figure is presumably a little overstated. The biggest obstacle to enrollment has been the lack of transportation. This is especially the case for seventh graders, since parents are less comfortable about having them take public transportation. And while the great majority of signed up students are from South Bend, there are a significant number from greater distances, for whom no public transportation is available. Larry asked from Yolanda's prior charter experience, what should we think about the chances of reaching 375 students, with a little over 200 at a month to go. Yolanda said her experience is that many families don't focus on school choices until just before school starts, and in some cases, even after school has started. Rob said that's also been his experience.

Steve brought up the status of discussions with Transpo. Yolanda explained Transpo had said earlier that additional bus runs could be added in the morning and in the afternoon to accommodate us, but two days ago, Transpo sent an email saying that in order to do this, we need to buy 200 passes per month at \$30/each. Yolanda said she responded to Transpo that she couldn't agree to that. Steve said for \$6,000/month, we could rent and operate our own bus. Rob said for \$8,000, we could buy a bus. Tracy said having a bus brings complications, such as insurance. Yolanda said we might be able to overcome that by hiring a contractor.

Larry asked if there was any possibility of collaborating with a public school. Steve said that is a difficult topic, but he's had discussions with John Kennedy, principal of the New Tech high school, about possible collaboration, which might include transportation, but there are many challenges in any form of collaboration, and to be prudent we should plan to deal with our problems independently.

Yolanda asked the board to mark some days on their calendars: August 10 to meet the staff for lunch at the Gagnon Street office; August 15 to meet the public at the downtown library; August 26-27, "Community Days" at the school, a good time to show the school to friends or associates.

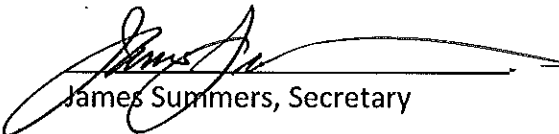
Tracy asked what's the image of the school to the public at this point? Yolanda said we're battling against the idea that SBCA is an "alternative school" suitable for kids who have dropped out. There have been a number of home school families who have responded very enthusiastically because they see the school as safe. Tracy asked what do we want the school's image to be? Yolanda said: an option; for kids who want to have the choice to learn a marketable skill, or earn college credits while still in high school; we don't want to be a school for only one class of people. Steve said it would take years to develop a reputation, and when he first started talking about the school, many people thought of it as a vocational center rather than a school.

Tracy said we need to be aware that if the school gets an image as an “alternative school,” that can be self-fulfilling since it will affect the students we draw. Larry agreed that we’ve not done a good job in defining our image. Tracy said that as crucial as it is to develop a culture inside the school, it’s just as important to develop its reputation to the community. Suzanne agreed. James said that people he’s spoken to see the school as having a business-orientation, and see that as a positive.

Larry said we need some “tag-lines” as Rob and Tracy were describing. Yolanda said we’ve come up with some, but none have “caught.” Tracy suggested that we give every student a book-bag or backpack with a slogan on it, something to express the main image of the school in a short phrase. Tracy said he’d pay for them – an offer gratefully accepted.

Yolanda asked for board approval to accept a food service proposal from a Chicago-based firm, FSP (Food Service Professionals), which has a good track record of service to Indiana schools. FSP will hire local people to handle the cooking, and will handle the billing for the free/reduced lunch program. There’s a 9% administrative fee, which is projected to come to about \$18,000/year, and the food program should more or less pay for itself (if we have 375 students, FSP’s projections indicate we’d make a profit of about \$11,000). We have the option to modify menus. The program includes breakfast, lunch, and a late-day snack. Upon motion duly made, seconded, and unanimously approved, Yolanda was authorized to enter into an agreement with FSP.

There being no further business, the meeting was adjourned.


James Summers, Secretary

X: CASB Minutes 7 28 2011.doc