



DISCOVERY CHARTER SCHOOL BOARD OF DIRECTORS

SPECIAL MEETING OF THE BOARD OF DIRECTORS DISCOVERY CHARTER SCHOOL

**Virtual Board Meeting
Tuesday, May 12, 2020
6:30 P.M.**

MINUTES

I. CALL TO ORDER

President Spieler called meeting to order at 6:34pm

a. President Spieler established the existence of a quorum, with the following members present:

Present: Mr. Spieler, Ms. Lee, Ms. Sanchez, Ms. Eagle, Mr. Foisie

b. Network connections confirmed working by President Spieler

c. Approval of Agenda

On a motion made by Ms. Lee, and seconded by Ms. Sanchez,

The Board moved to approve the May 12 agenda. Motion 5-0-0. Aye: Mr. Spieler, Ms. Lee, Ms. Sanchez, Ms. Eagle, Mr. Foisie.

d. Pledge of Allegiance was led by President Spieler.

e. Establishing rules of order - President Spieler reminded public to keep microphones muted and video off. Raise your hand virtually or post onto virtual chat.

II. OPEN SESSION

a. PUBLIC COMMENTS

No public comments at this time.

III. ACTION / DISCUSSION / INFORMATION ITEMS

Discussion and action concerning status of the Paycheck Protection Program Loan (PPP).

Prior to the Board meeting Ms. Koren had sent an email containing financial information and was thanked, and the Board expressed their appreciation for her work and the EdTec partnership.

Mr. Foisie read off questions we had sent. Ms. Koren informed us of the following in answer to his questions: When we submitted for the loan we did not submit calculation, but just supplied payroll information. The public revenue funding that we receive from the state only covers 86.7% of our budget, and we cover the remaining gap. It is very important for our community to understand that we are not fully funded. There was no new guidance received.

When questioned about whether or not other schools had chosen not to take the PPP loan, Ms. Koren stated that she knows of 100-200 schools of which 41 applied and received approval for the PPP.

She thought that most schools would accept the loan. In terms of state funding there would most likely be a 40% state shortfall.

President Spieler commented that we received guidance from our attorney and EdTec.

Elements of Discovery's Economic Uncertainty:

- In a Fiscal Alert issued in April, FCMAT projected likely declines in LCFF state revenue of around 5% and possibly up to 10%. At this time, FCMAT believes best case funded COLA could be in the -2% range, and worst case in the -10% range, depending on a multitude of considerations. 77% of Discovery's 2019-20 forecasted revenue is from LCFF, and a 10% decline in LCFF rates would reduce the organization's funding by \$900,000 in 2020-21. Additionally, the California Charter School Development Center, one of the two statewide charter associations is forecasting these cuts may be as high as 20%. This is the very definition of economic uncertainty.
- There are several other possible or likely revenue shortfalls and expense increases that have already happened and are likely to increase that create significant additional risks to current operations. These include decreases in special education funding from the county SELPA, reduced lottery revenue, additional expense to facilitate distance learning, increased health care costs, increased insurance costs. Finally, as a school of choice, Discovery may face enrollment challenges moving into the next year as we are not able to conduct as much outreach as well as ADA challenges if families make varying choices around school attendance.
- Additionally, FCMAT is projecting that the state will use cash deferrals as well as LCFF reductions, to help manage the budget deficit. This is expected to start as early as May 2020. Discovery is expecting to receive approximately \$235,000 in the last two months of the year, which may not materialize until early FY21. This deferral program implemented by the state is likely to be used more heavily in FY21; if similar to the 2008 recession, up to 38% of State Aid funds could be deferred, meaning a delay of \$300-400K in cash disbursements in the spring.
- Finally, a recession may impact parents' ability to make donations to the school, a critical revenue source for Discovery. Furthermore, when the job/unemployment outlook is grim, families that have had 2 working parents may drop down to just 1 (if the trade-off between salary and childcare does not lean in favor of working or if jobs are not available). This would suggest that fewer families will be using DEC next year (if DEC is able to operate its program).

President Spieler referred everyone online to the SBA website & address shared with public in chat with question #31 focus.

home.treasury.gov/system/files/136/paycheck-protection-program-application-Frequently-Asked-Questions

Board recess at 7:00pm due to internet issues, allowing President Spieler time to address his internet connection. Board moved back into session at 7:05pm

Question 31 review and discussion was to determine if we qualify, what is economic uncertainty, and where does Discovery fall within these issues. Board straw poll indicated that the Board felt with all the economic uncertainty and our current financial status information, with reserves depleted in 2-3 months we would need to accept the loan.

Ms. Koren stated that some specifications still contain lots of ambiguity, but that we are going through our process the right way, and once specifications become clearer we will follow rule, and work with Discovery's auditor. The priority will be to keep us in compliance and that when we do this we will most likely qualify for loan forgiveness. The goal is to maximize loan forgiveness, but we need to understand that that forgiveness may not be 100% or hold onto the loan the entire duration, and pay back the loan at 1% (1.5 million loan at 1%). It was also noted by, Ms. Perry and Ms Koren, that we are heading into a financial crisis and will need to do a budget study.

The Board would require a resolution and template at the next Board Meeting (Wednesday May 27) to document our need and approve the resolution. Pre-work will require a collection of our financial documents and information supplied for our May 2nd and this May 12 Board meeting. Ms. Koren said she would send a template document to President Spieler. President Spieler would draft the resolution with bullet points and notes from this evening and send the document to our attorneys for review. The Board would approve the resolution.

Based on our discussion the following are our reasons for accepting the PPP Loan:

- There is economic uncertainty based on expectation of funding deferral, and budget cuts.
- Discovery is not a large company with large funds.
- Our organization does not have access to outside sources of funding, and that lack of these sources will be detrimental to our operations.
- While Discovery does have a reserve, that reserve will last 2-3 months with our organization's financial situation worsening.
- The Board and administration have fiduciary responsibilities to our organization including to our students and families.
- Our reserve is only 27% of our annual budget.
- Current information we have is that the state of California is projecting cuts of \$18 billion to education.
- Discovery does not have an open line of credit.

On a motion made by President Spieler, and seconded by member Foisie the Board moved to approve the retention of the Paycheck Protection Program Loan (PPP) that we applied for, and that was approved. Board moved to approve motion 5-0-0. Aye: Mr. Spieler, Ms. Lee, Ms. Sanchez, Ms. Eagle, Mr. Foisie.

IV. ADJOURN

The Board adjourned without objection at 7:43pm