

THE DELTA ACADEMY
BOARD MEETING MINUTES

THURSDAY OCTOBER 22, 2015
LAS VEGAS, NV 89030

Present:

Mark Nelson
Jay Hopkins
Javier Trujillo
Larry Mason

Absent:

Maurice Flores

Guests:

Kyle Konold
Bruce Congleton
Eric Scholer
Lizz Arreola

1. Call to Order and Roll Call
 - a. Meeting called to order by Interim President Mark Nelson
 - b. A quorum was declared.

2. Approval of Minutes for August 18, 2015
 - a. Motion made by Larry Mason
 - b. Seconded by Jay Hopkins
 - c. Passed unanimously

3. New Board Member Recruitment
 - a. Kyle Konold found a parent that has agreed to be on the board. She couldn't attend today but will attend next meeting. She is the 6th member and there is room for one more member. He stated that it doesn't have to be a parent, that it could be any community member.

4. CPA report for external financial audit
 - a. Kyle Konold stated that there is an outside financial audit that is completed annually. This year Delta used a different law firm. It was their first time working with a charter school. We ended the year with -\$158,000.00 and that was due to working with an accrual-based system of accounting. We accrued the cost of rent that we didn't pay because it was deferred. Rent was deferred for Aug, Sept & Oct of 2014. It wasn't an actual cost that we had to pay in fiscal year 2015. It is in the budget for fiscal year 2016

but we had to code it in 2015 because that is when we actually accrued the debt. We didn't incur any expenses that we didn't budget for. It should be reviewed by the board by October 31st and submitted to the state by November 30th. Mr. Nelson asked how much of the \$158,000.00 was deferred rent and Dr. Konold explained that it was a little more than \$100,000.00 plus interest. 80% was deferred rent and the rest was due to one-time expenses from moving to a larger campus and having a larger student population. Going forward we will stay within budget. The revised budget for fiscal year 16 will be submitted for discussion and approval at the next board meeting.

5. Amendment to building lease

- a. Kyle Konold stated that the original lease was in 2014, it was first amended in 2014 which included scheduled payments for deferred rent and reduced rate rent. This is now the second amendment to the lease. The current lease is for a 5 year term that ends in 3 more years. The second amendment is to extend the lease to a 20 year term from August 25th 2014 which is when the original lease started, to July 31st 2034. Owner Eric Scholer is present to answer questions. Eric stated that the language would stay in place if Delta lost its charter. If Delta lost its charter, then it would be modified. The land next to Delta was also purchased to build a soccer field and a gymnasium, which Mr. Scholer offered to initially build along with the school and Delta declined at the time. Mr. Scholer believes the school needs a soccer field and a gymnasium for it grow. Mr. Scholer is no longer inclined to build but if the lease is extended then he will find either a buyer for the school or the school can find a bonding company. During his research, Mr. Scholer states that nobody would be interested unless the school has a long term lease and believes extending the lease is in the school's best interest because the rent would drop and Delta would get a soccer field and a gym. There are 2 interested parties that have made it very clear that the lease term has to be extended. One is an investor and the other is a bond company. He believes a sports program would increase enrollment dramatically and Delta would become a full campus. Mr. Nelson asked about what can be done if Delta lost its charter. Mr. Scholer stated that there is an escape clause. Investors are willing to take the risk with a longer lease. Mr. Hopkins asked if the second amendment would change the purchase options which was changed with the first amendment. Mr. Scholer replied that it didn't change but we still need investors because the school cannot own the building. If the board wants to execute this option, investors would still ask for a long term lease. Mr. Nelson stated that extending the lease could be the first step to buy the building and would like to know what Dr. Konold and Mr. Congleton think. Dr. Konold states that if the board decides to extend the lease, he would like a purchase option from years 3- 19. Mr. Scholer states he is not interested in holding onto the building and property for 20 years. Dr. Konold states that Delta is not in the financial position to exercise the purchase option in year 3. Mr. Mason asked if CCSD was aware of the proposed 20-year lease amendment, but the Delta Governing Board had to approve the amendment before they would take a position on the amendment. Mr. Mason wants to know what the parents think and would like a survey to be done in reference to their interest in creating a sports program. Dr. Konold agreed to complete the survey. Mr. Scholer believes that even after the survey is done, the 20

year lease is still needed in order to attract a buyer for the property. Mr. Nelson likes the idea of a survey but wants to know if the sports program is as important as it sounds. Mr. Congleton thinks the results of the survey would be skewed due to the school's transiency rate. He believes if Delta had a sports program it would bring more students to Delta but not necessarily keep our existing students. Mr. Mason wants data and support for every decision that is made. He agrees that a sports program is needed but would like support from the community. He believes that sports shouldn't be a priority, education should be the priority. Mr. Mason would like to get the community involved and included in the survey. Mr. Hopkins states that the initial vision on moving into a new building was to expand and start a sports program. Mr. Scholer believes that a sports program would provide a full high school experience. Mr. Scholer states that the whole point of extending the lease term is to attract an investor. The investor would fund the field and the gym. If a bond company is used, rent would drop. Dr. Konold doesn't want the school to invest any money in property that is not owned by the school. He wants the school to own the building; not another investor. The school has a non-profit 'Friends of Delta' that can float the bond and Delta would pay the mortgage. Mr. Scholer also talked to Dan Tafoya and he said that CCSD would work with Delta and go along with the board's decision to extend the lease. Mr. Nelson asked what Mr. Congleton and Dr. Konold would like to do. Mr. Congleton believes the betterment of the school is primary. Adding a sports program is secondary. If a 20 year lease lowers the rent, then that is the best outcome for the school. Dr. Konold is fine with the 20 year lease as long as there are purchase options along the way; not just next year. Mr. Trujillo asked if our legal counsel has had time to look at the amendment. Mr. Hopkins believes there may be conflict of interest with him acting as a board member and the school's legal counsel. He feels the school should seek outside counsel. Mr. Trujillo and Mr. Mason agree.

6. CCSD Audit and Letter Findings

- a. Dr. Konold handed out letters that each member received from CCSD. The annual compliance report is a 40 page document. The largest audit finding and cause of the board receiving the letter was regard to how the school entered grades and attendance. The school moved from SASI to Infinite Campus (IC). IC was not built to handle the various instructional models used by Delta. The audit was completed in January, but the school did not receive the findings until August. Staff from Delta met with CCSD Student Data Services and they checked our IC and saw mistakes in the way class periods were created. In the corrective action plan, Dr. Konold did not address the issues with IC because no one knows how to fix the errors. In late September, we received the spreadsheet the auditors used to document our errors. The spreadsheet is eight pages in length. Dr. Konold is going through each student and providing backup data to show the school did nothing wrong. The CCSD auditors did not look any deeper than the spreadsheet and did not ask Delta staff any questions. They jumped to conclusions that are flat out wrong. Dr. Konold is submitting all documents with explanations. He requested a letter from CCSD recanting their audit findings. The person who completed the audit quit in June and the person who took her place quit in August. Dr. Konold is communicating with Dan Tafoya and Sandy Dobbs to fix all the continued issues with IC.

Mr. Nelson believes that CCSD was out of line by sending the letter of finding before checking with Delta staff.

- b. Kyle stated that the next audit will be in Jan/Feb and for now we will continue to work with CCSD to resolve our issues.
7. Administrator's Report
 - a. All of our students were tested using the Scholastic Reading Inventory and Scholastic Math Inventory. Middle School reading and math: 51% below basic level in reading, 73% below basic in math. In High School reading and math: 41% below basic in reading, 90% below basic in math, 10 % at a basic level and 0% proficient.
 - b. Another large issue faced by Delta is the number of students who enroll at Delta who are credit deficient. Approximately 48% of 10th, 57% of 11th and 68% of 12th are credit deficient. We enrolled two 12th graders with 0 credits earned.
 8. Public comment and discussion
 - a. Mr. Congleton brought up an example of a student that CCSD moved from 6th grade to 7th grade and then to 8th without that student passing a single class. He doesn't mind taking these students because we don't want to deny anyone an education, but it shouldn't be held against the school.
 9. Adjournment
 - a. Motion made by Mark Nelson
 - b. Seconded by Jay Hopkins
 - c. Passed unanimously