

Agenda: Regular Meeting of the Board of Directors
Library / Atlanta Classical Academy
3260 Northside Drive Atlanta, GA 30327
Emergency Meeting
November 6, 2017 6 p.m.

The Mission of Atlanta Classical Academy is to develop graduates in mind and character through a classical, content-rich curriculum that emphasizes virtuous living, traditional learning, and civic responsibility.

Our Vision is to be a nationally regarded K-12 classical school and serve as a local and national incubator for the growth and promotion of classical education.

The purpose of the Board of Directors is to ensure that the organization is *executing* its Mission, *pursuing* its Vision, and *producing* outcomes within parameters established by law, the Charter Agreement, and the Board's policies.

I. CALL TO ORDER / PLEDGE OF ALLEGIANCE / ATLANTA CLASSICAL ACADEMY PLEDGE: Board Chairman Matthew Kirby. I will learn the true. I will do the good. I will love the beautiful.

II. ATTENDANCE: Assurance of quorum and recognition of attendance deficiencies.

III. AGENDA & MINUTES: Adoption of the minutes of the October 19, 2017 regular meeting. Adoption of the agenda of this regular meeting.

IV. NEW BUSINESS: APS request to defer calendar year-end payments

On Friday, November 3, 2017, the school received a verbal request from APS to forego its November and/or December public, per pupil revenue payments until January 2018. On Saturday, November 4, 2017, the Principal received an email from the Superintendent codifying the request and asking for a decision no later than Tuesday, November 7, 2017. The attached memo provides additional detail from APS. The financial analysis has been provided by the Principal.

The Chair called the emergency meeting to give Atlanta Classical Academy's board the opportunity to consider APS' request on a timeline that is supportive of our authorizer.

The motion is to authorize the Principal to defer the _____ APS PPR revenue payment(s) to January 2018.

V. ADJOURNMENT

Background: Atlanta Public Schools Tax Digest Issue

This summer, in response to understandable frustration on the part of homeowners, the Fulton County Board of Commissioners announced that they would rollback tax assessments to their prior levels. This action meant that the receipt of local revenue by the Atlanta Public Schools, Fulton County Schools (FCS) and 15 municipalities would be delayed while the tax bills were reissued. At that time, Atlanta Public Schools (APS) strongly urged the Board of Commissioners to take a more measured approach to the tax assessment issue. The uncertainty the district faces now is a direct result of the county's departure from its typical tax process.

Revenue received from Fulton County property taxes account for approximately 62% of all the revenue received by APS. In order to mitigate the impact of this delay in revenue, the district borrowed \$100 million in the form of a Tax Anticipation Note or TAN which, by law, must be repaid by December 31st. The TAN assumed that the Fulton County tax bills would be sent out by October 15th (bills are typically sent in July) and tax revenue would begin to flow to the district by December 1.

Recently, the Board of Commissioners of Fulton County informed us that the Georgia Department of Revenue has denied the submitted 2017 tax digest. The reasons given were:

- 1.) It substantially fails to comply with the Georgia Revenue Code and Department Rules
- 2.) The digest does not meet the standards of the digest manual

The Department of Revenue's delay in approval has major implications for both school district (APS, FCS) and other municipalities (15 municipalities i.e College Park, Hapeville, Sandy Springs, Johns Creek, Milton) that are dependent on the timely collection of tax revenue for operations. APS estimates that the district will exhaust its funds on December 8, causing the district to shut down. To prevent that catastrophe, APS, Fulton County Schools and Fulton County Government have requested that the courts intervene and grant a temporary collection order. The court hearing is today at 1:30 pm.

If, and only if, the temporary order is granted APS believes it can operate through the end of the year with minimal disruption to the operations of its schools. District tax revenue would begin to be received by the end of December (assuming tax bills went out by November 15) which means the district has very little time to build up enough cash reserves to repay the TAN. We are implementing immediate and actions which include:

- Modifying payment schedules for contracted services, goods and obligations as appropriate to minimize impact to daily operations.
- Implementing furlough days for some or all employees and delaying until January the \$500 one-time payment for employees not on the teacher salary schedule
- Freezing operational expenditures (travel, hiring, conferences)
- Delaying significant costs until later in the fiscal year
- Deferring the monthly unfunded pension payment
- Reducing the monthly payments to our charter and partner schools until January 2018

If the courts do not grant the temporary order, these measures will have little effect on the district's ability to meet its obligations and repay the Tax Anticipation Note by the December 31 deadline. The district will be forced to halt all operations before December 8, 2017.

Atlanta Classical Academy
Cash Flow Assuming November APS payment delayed until Jan 2018
As of November 4, 2017

Account balances as of 11.3.2017

Charter School Fund		Capital Fund		Reserve	
Bank balance	\$ 960,411	Bank balance	\$ 113,839	Bank balance	\$755,936
QB balance	\$ 879,926	QB balance	\$ 113,839	QB balance	\$755,936

	<u>Nov 2017</u>	<u>Dec 2017</u>	<u>Jan 2018</u>	<u>Feb 2018</u>
Income	\$ -	\$ 619,032	\$ 1,238,065	\$ 619,032
Monthly Expenses	\$ (500,000)	\$ (500,000)	\$ (500,000)	\$ (500,000)
Capital Expenditures	\$ (10,000)			
Modular loan principal payments	\$ (5,200)	\$ (5,200)	\$ (5,200)	\$ (5,200)
Main loan principal payment due 12/31		\$ (165,000)		
Use Capital account funds		\$ 113,839		
Charter school bank balance	<u>\$ 364,726</u>	<u>\$ 427,397</u>	<u>\$ 1,160,262</u>	<u>\$ 1,274,094</u>

Projected bank account balances as of 2.28.18

Charter School Fund	\$ 1,274,094	Capital Fund	\$ -	Reserve	\$755,936
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Loan compliance for quarter-end 12.31.17:

Non-compliant

Atlanta Classical Academy
Statement of Activity
July - October, 2017

	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Total
Revenue					
Contributions	2,826	22,892	352	971	27,042
Local Funding		622,116	619,032	619,032	1,860,181
Miscellaneous Revenue	13,417	44,565	10,410	14,693	83,085
Total Revenue	16,244	689,574	629,794	634,696	1,970,308
Gross Profit	16,244	689,574	629,794	634,696	1,970,308
Expenditures					
Development	157				157
Educational Media Services		795	1,715		2,510
Food Service Operation		1,073	3,402	4,934	9,409
Instruction	247,834	291,516	191,681	286,896	1,017,926
Operation and maintenance of plant	30,518	96,921	27,013	36,606	191,058
Professional Development	4,322	8,083	193	193	12,791
Pupil Services	6,111	10,017	11,764	4,310	32,202
School Administration	124,679	107,802	125,329	93,405	451,216
Student Transportation Services	596	3,267	3,594	5,077	12,535
Support Services - Business	11,634	9,249	1,129	1,639	23,652
Total Expenditures	425,851	528,724	365,821	433,060	1,753,456
Net Operating Revenue	-409,607	160,850	263,974	201,636	216,853
Net Revenue	-409,607	160,850	263,974	201,636	216,853

Friday, Nov 03, 2017 09:55:20 AM GMT-7 - Accrual Basis

From: Busse C cbusse@atlantaclassical.org 
Subject: Fwd: Cash flow assuming
Date: November 3, 2017 at 3:37 PM
To: Lambert S slambert@atlantaclassical.org



Steve,

ACB has approved APS delaying the November 2017 payment until January 2018. See below.

Caroline Busse, CPA
Chief Financial Officer
Atlanta Classical Academy
Main: 404.369.3500
Direct: 678.784.5041

virtus, scientia, felicitas

----- Forwarded message -----

From: Ashley Carson <Ashley.Carson@atlcapbank.com>
Date: Fri, Nov 3, 2017 at 3:26 PM
Subject: RE: Cash flow assuming
To: Busse C <cbusse@atlantaclassical.org>
Cc: Glenna Reeves <Glenna.Reeves@atlcapbank.com>, Sadhana Saboo <Sadhana.Saboo@atlcapbank.com>, Eshe Evans <Eshe.Evans@atlcapbank.com>

Caroline:

Given the cash flow assessment you provided, it appears that ACA has operating reserves to cover the delayed November payment from APS. Please proceed with allowing for delayed payments. We will call you on Monday at 3:00 to discuss the calculation of the compliance certificate so we are all on the same page.

Many thanks,

Ashley

 **Ashley C. Carson**
Atlantic Capital Bank

Corporate & Community Affairs Executive

Not-for-Profit & Business Banking Team Leader

[3280 Peachtree Road NE, Suite 1600](#)

[Atlanta, GA 30305](#)

404.995.6214 (O) | 404.245.3428 (C)

From: Glenna Reeves
Sent: Friday, November 03, 2017 2:58 PM
To: Sadhana Saboo <Sadhana.Saboo@atcapbank.com>; Eshe Evans <Eshe.Evans@atcapbank.com>; Ashley Carson <Ashley.Carson@atcapbank.com>
Subject: Fwd: Cash flow assuming

----- Forwarded message -----

From: Busse C <cbusse@atlantaclassical.org>
Date: November 3, 2017 at 2:54:57 PM EDT
Subject: Cash flow assuming
To: Glenna Reeves <Glenna.Reeves@atcapbank.com>

Dear Ms. Reeves,

Here is our cash flow analysis assuming we voluntarily allow APS to delay the November 2017 payment of \$619,032 until January 2018. The monthly expense estimate of \$500K is a high side estimate. It will cause us to be out of compliance with the loan covenants.

Best,

Caroline Busse, CPA
Chief Financial Officer
Atlanta Classical Academy
Main: 404.369.3500
Direct: 678.784.5041

virtus, scientia, felicitas

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