



Meeting Minutes: November 6, 2017

This special/emergency meeting of Northside Education Inc. dba Atlanta Classical Academy was called to order at 4 p.m. on November 6, 2017 at Atlanta Classical Academy, 3260 Northside Drive, N.W., Atlanta, GA 30305, the Board Chair being in the chair and the Secretary being present.

In attendance: Board Chair Matthew Kirby, Dr. Lee Friedman, Scott Yates, Cat McAfee (by phone), Amanda Kresch (arrived at 4:15 p.m. prior to board action) and Principal Steve Lambert. With the majority of the directors in office in attendance, a quorum was established for the transaction of business.

The board unanimously approved the agenda of this meeting.

New Business

The purpose of this special meeting is to consider the time-sensitive request of APS for Atlanta Classical to defer its November and/or December public, per pupil allocation.

Supporting documentation of APS' request and the Principal's analysis are attached. The Chief Financial Officer confirmed by way of conversations with the school's lender that if the board approved the deferral, the school would remain in compliance with its loan covenants.

The motion is to authorize the Principal to defer the December 2017 APS PPR payment to January 2018.

Moved:	Mr. Yates
Second:	Ms. McAfee
Vote:	Unanimous approval

The Chair adjourned the meeting at 4:31 p.m.

Respectfully submitted,

Amanda Kresch, Board Secretary

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: **Carstarphen, Meria** mjcarstarphen@atlanta.k12.ga.us
Subject: Re: Request for support and mitigation of tax issue
Date: November 4, 2017 at 2:25 PM
To: LAMBERT, STEPHEN SLAMBERT@ATLANTAClassical.ORG
Cc: Atlanta Superintendent's Office suptoffice@atlanta.k12.ga.us, Burnett, Gayle gburnett@atlanta.k12.ga.us,
mkirby@atlantaclassical.org, cbusse@atlantaclassical.org, Richter, James krichter@atlantaclassical.org



Thank you so much and for your consideration! M

Dr. Meria Joel Carstarphen, Superintendent
Atlanta Public Schools
130 Trinity Ave SW, Atlanta, GA 30303
404-802-2820
Follow me on Twitter [@CarstarphenMJ](https://twitter.com/CarstarphenMJ)
Check out my blog at atlsuper.com

On Nov 4, 2017, at 12:49 PM, Lambert S <slambert@atlantaclassical.org> wrote:

Dr. Carstarphen,

Thank you for your email. We are working with our board to respond in a helpful way. We will communicate with you as soon as possible and no later than Tuesday. Please be assured this is receiving our highest priority attention.


Sincerely,

S. Lambert

On Nov 4, 2017, at 12:13, Atlanta Superintendent's Office <suptoffice@atlanta.k12.ga.us> wrote:

Stephen,

I would like to thank you for offering to support the district as it navigates this difficult financial time. As has been reported in the media, the Georgia Department of Revenue has stayed the collection of Fulton County tax receipts. This action has caused significant hardship for the district since local tax revenue makes up roughly 2/3 of the district's total revenue. I have attached a document which will provide additional details and context.

We did have a small victory yesterday. The courts accepted the joint petition (from APS and FCS) to let the collection of taxes begin based upon the most recent assessments. This makes it possible for us to continue to operate through the end of the calendar year but we must also build up enough cash reserves to repay the \$100 million TAN by December 29th. 

To help us manage our cash flow during this period, we are doing all we can to reduce our outflow of cash, including reaching out to charter and partner schools to ask if they can defer their November, December or both monthly payments from the district until late January 2018. If your cash flows do not allow for skipping an entire month, I ask that you consider taking a partial or prorated payment for one or both months. Whatever you are able to do, without putting yourselves at risk, will be greatly appreciated. Should you agree to our request, the district pledges to fully repay the total amount withheld in January 2018.

Our finance division typically sends Charter School payments the first week of the month. If you are able to defer the November payment, please contact Gayle Burnett, copied on this email, no later than Tuesday afternoon, November 7th. We understand you may need additional time to consider your financial ability to also defer your December payment. If so,

please let us know by Friday, December 1st.

Thank you for considering this request and know that I deeply appreciate your support.

Warm Regards,

Meria J. Carstarphen

<11042017 letters to charters - Background Tax Issue Mitigation.pdf>

From: S Lambert slambert@atlantaclassical.org
Subject: Coordination for a Special Circumstance
Date: November 4, 2017 at 1:40 PM
To: Matthew Kirby mkirby@atlantaclassical.org
Cc: Greer J jgreer@atlantaclassical.org, Richter K krichter@atlantaclassical.org, Busse C cbusse@atlantaclassical.org



Dear Mr Kirby,

BLUF: Request the board's agreement to defer the November APS PPR revenue payment to January 2018 (Ms Burnett requests our position by Tuesday, November 7).

DETAILS:

APS Situation (please see attached letter from the superintendent)

- Per the district superintendent, APS took out a \$100M Tax Anticipation Loan at the beginning of FY18 in order to fund its budget and in anticipation of the receipt of the property taxes later in the year.
- The aforementioned loan comes due on 12/31/17.
- Due to an ongoing property tax dispute, APS has not yet received revenues from Fulton County.
- Yesterday, APS and Fulton County Schools prevailed in a court case in filing a Temporary Collection Order to compel Fulton County to collect property taxes in order to restore necessary revenues.
- However, the delay in tax collection has caused a cashflow challenge, and APS does not have the cash flow necessary to sustain full operations.
- Therefore, APS has implemented austerity measures (restrictions on travel, a freeze on all operational spending except for direct instruction and safety and security, a hiring freeze, etc.).
- Yesterday, Gayle Burnett called me and asked for "help" as soon as practicable between now and 12/31/17—specifically if we could forgo any PPR payments between now and then.
- Per Ms Burnett and the district superintendent, APS would repay the deferred revenue by 01/31/18.
- On 11/4/17, I received an e-mail communication directly from the district superintendent regarding this issue (I included you on my response to her).

ACA Financials (please see attached cashflow analysis)

- Per the attached Statement of Activities, ACA's monthly burn rate for FY18 is within budget and averages under \$500K for July, August, September, and October.
- Using an estimated burn rate of \$500K per month (which is high), and per the attached Cash Flow Projection, ACA could defer the November PPR revenue payment until January 2018.
- The Cash Flow Projection includes provisions for December's Principal Loan Payment (\$165K), as well as the anticipated transfer of \$113K from the Capital Fund to the Charter School Fund (per instructions from our auditor in the recently completed FY17 audit).
- The aforementioned PPR revenue deferment would result in a \$365K balance in the Charter School Fund by end of November.
- The Charter School Fund would recuperate to \$1.19M by end-of-January with the payment of November's deferred revenue.

ACB Coordination (please see attached e-mail from ACB)

- The deferred revenue payment for November would cause us to be non-compliant on one of the loan covenant items: 8.15(b) Minimum Net Change in Assets to be no worse than -\$120K and the end of each fiscal quarter for FY18.
- Ms. Ashley Carson (our point of contact at Atlantic Capitol Bank) has reviewed (in light of our loan covenants) and has approved our request to allow APS to defer payment to January 2018.

Policy Governance Considerations

- Per EL 2.C, the Principal shall not cause or allow financial planning/budgeting for any fiscal year or the remaining part of any fiscal year to deviate materially from the board's Ends policies, risk fiscal jeopardy, or fail to be derived from, at minimum, a three-year plan
- Per EL 2.D, With respect to the actual, ongoing financial conditions and activities, the CEO may not cause or allow the development of financial jeopardy or material deviation of actual expenditures from board priorities established in its Ends policies
- Both of these global policies address the planned and actual financial conditions of the school. As such, it would seem wise for the board and the Principal to be in agreement on this course of action.

Strategic Considerations

- While not being compelled to do so, it seems wise to partner and collaborate with our authorizers during this time of fiscal austerity, especially considering our upcoming charter effort.

austerity, especially considering our upcoming re-charter effort.

- In conversations with Ms Burnett, she mentioned that she would understand it if we were unable to provide assistance due to the fact that we have not been operating for a long time and have not had the chance to build up a substantial reserve.
- Ms Burnett also told me that other large charter schools have deferred at least one month (and possibly two) of revenue payments.

I am standing by for further discussions.

Sincerely,

Stephen P. Lambert
Principal
Atlanta Classical Academy
p: 404.369.3500
e: slambert@atlantaclassical.org

virtus . scientia . felicitas

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.

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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

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----- 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@atlcapbank.com>; Eshe Evans
<Eshe.Evans@atlcapbank.com>; Ashley Carson <Ashley.Carson@atlcapbank.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@atlcapbank.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

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Deferred Payment Agreement

The Atlanta Independent School System ("APS") and Atlanta Classical Academy in an effort to mitigate the unanticipated disruption in local revenue receipts on the Atlanta Public Schools, agree to defer the payment of the school's monthly allocation of \$619,032 for the month of December 2017.

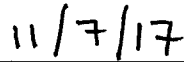
In accordance with O.C.G.A. 20-2-2068.1, APS agrees to fund its charter schools for the 2017-2018 school year. Any allocation payments deferred or reduced due to this agreement will be distributed by January 31, 2018. Further, APS will reinstate normal monthly allocation payments in January 2018, making such payment by the 5th business day of the month.

Meria J. Carstarphen, Superintendent
Atlanta Public Schools



Stephen Lambert, Principal
Atlanta Classical Academy

Date



Date