

SOUTHTECH CHARTER ACADEMY, INC.
SOUTHTECH PREPARATORY ACADEMY, INC.
SOUTHTECH SUCCESS CENTER, INC.
September 5, 2019 Minutes of the Special Board Meeting - Budget

1. *Call to order by Mr. Notter at 7:10pm*
2. *Pledge of Allegiance*
3. *Roll Call: Board Secretary Ayesha Edmond – Confirm Quorum Present*

Aram Bloom	Roger Dunson	Ayesha Edmond
Russell Feldman	Jonathan Flah	Dan Heller
Diane Heinz	Robert Kesten	Carl McKoy
James Notter	Suzanne Nicolini	

Present: Aram Bloom, Dan Heller, Diane Heinz, Suzanne Nicolini, Carl McKoy, James Notter, Ayesha Edmond, Russell Feldman, Jonathan Flah

Absent: Aram Bloom, Roger Dunson

4. *Open Meeting Act Statement*

Chairperson asks if public notice has been made.
5. *Introduction and Purpose for meeting: James Kidd, Superintendent*

a. Cash Flow Issues and Bridge Loan

Mr. Kidd began by saying that last year, when we were coming up with the budget for this year, he explained why we were looking at a half million-dollar loss last year. He went into depth at the June 18, 2019 Board meeting, explaining some things, and he called last year the perfect storm, budget-wise and financially. He made the commitment at that meeting that he would bring the Board a balanced budget. Mr. Kidd also promised that he would make difficult decisions, take difficult steps that need to be made to keep it balanced. He said we are at the point tonight where some of those steps would be introduced to the Board. Mr. Kidd wanted to go back to talk about what were some of the things that impacted last year and this year. Mr. Kidd gave a handout to the Board Members and proceeded to explain the numbers. (See attached handout regarding enrollment numbers, pointing out the number of students that did not materialize, even though they were accepted). Mr. Kidd said that the meeting is two-fold: for the Board to approve the Amended Budgets for all three schools, and the second purpose is for the Board to approve a Bridge Loan, to relieve cash flow issues at SouthTech Academy until the cuts that have been made kick in. He directed the Board to look at the second or third page in the packet and look at the Operating Cash at the bottom at the number in brackets (negative numbers). Our cash flow right now is negative. Mr. Kidd is talking with Richard Moreno about a Bridge Loan for STA. We applied for a Bridge Loan to cover expenses for the Success Center while we were waiting for the CSP Grant funds to materialize. We have not proceeded with it, even though the Board approved it. The Bridge Loan for STA would be in the amount of \$750,000, which would put the negative numbers in positive, and yes it would have to be paid back. Richard Moreno told Mr. Kidd that, if necessary, at the end of the year, we could roll some of it over if we needed to, but if Mr. Kidd could show him a repayment plan, getting the Bridge Loan would not be a problem. He is on standby until the morning, if the Board approves it tonight. We need that loan to continue operations. The Bridge Loan is a short-term recovery plan, and we are going to need a long-term and a short-term approach to get the school back out of where it is. Enrollment has dropped every year for the past three-four years. The students hear about the rigor and they do not want to deal with the rigor it takes to get them on track to graduate. We want to be good quality public educators. Mr. Kidd gave the analogy of how having a choice school is a lot like farming. You can till the ground and put fertilizer in it, you plant the seed and you can cultivate as it grows, but there are some things that you have no control over. He gave some examples of how a crop is lost to weather conditions. He said that we recruit

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students, and if the students do not come, we do not have a crop to pay the expenses, and that is where we have been for three years now. One of the smartest things we have ever done was to become a Local Educational Agency (LEA). Mr. Kidd wanted to go on record to say that regardless of what happens in the future, the LEA needs to be maintained. There are ways that it can be managed better than it has been managed. Right now, we have not been charging much on the two people who work on the grants, and we could charge more of it off and may have to make up the money out of the Operating Account, but it looks a lot better and less top-heavy if you could write those into the grant. Mr. Notter asked Mr. Kidd to make that comment so it would be included in the minutes.

Mr. Kidd said he mentioned that they would make hard cuts, and he, Mr. Boggess, Kathryn McInerney, Mr. Notter and Jennifer Melillo have had six meetings in the past two weeks, looking at every option they could come with. They decided that Mr. Kidd's or Mr. Boggess' position would have to be cut, to bring the numbers into the black. Mr. Kidd said he is nearing the end of his career and Mr. Boggess is starting his. Mr. Kidd continued to commend Mr. Boggess, who has been groomed to replace Mr. Kidd when he steps down. He is well-prepared for the job. Mr. Kidd told about Mr. Boggess' resume, how he was hired in 2016 as Director of Professional Programs; in 2017, he picked up the high school's Principal position and in 2018, he served as both Deputy Superintendent and High School Principal, and the school earned a "A" that year

From 2019 to date, Mr. Boggess has been the Deputy Superintendent. He has been successful in getting legislation passed for Vocational Education and forging an agreement with Palm Beach State College, whereby, beginning with the Automotive Program as a pilot, our students will go there in the Junior and Senior year, receiving college credit in SouthTech. Mr. Kidd continued saying that SouthTech has never been a job for him, but as a man of faith, it was more like a ministry. Mr. Kidd read a scripture, which he said sums up his heart. John 10:11-14 "I am the good shepherd. The good shepherd gives His life for the sheep. But a hireling, *he who is not the shepherd, one who does not own the sheep, sees the wolf coming and leaves the sheep and flees; and the wolf catches the sheep and scatters them. The hireling flees because he is a hireling and does not care about the sheep. I am the good shepherd; and I know My sheep and am known by My own.*" Mr. Kidd said he is not a hireling, nor does he flee the wolf that they face, and is willing to lay down his life for the flock. Figuratively speaking, he said he is laying down his life for the SouthTech flock. He said he has submitted a letter of resignation for September 30, 2019 to the Board for action at the September 17th Board meeting. Let no one say that he is running from this financial crisis. He said he is forfeiting his salary to lessen the financial burden on the school, and so other cuts would not have to be made to staff. Mr. Kidd said he would be available to serve in whatever capacity during the recovery period, and beyond, if needed. He has been at the school 28 years. He told the Board that he appreciates them letting him serve and the opportunity to serve them.

b. Budget – Jay Boggess, Deputy Superintendent

Mr. Boggess said these last two weeks have been heart-wrenching and the most difficult of his career, and today is the most difficult day in Mr. Kidd's career. Mr. Boggess said they would save SouthTech Schools, not for Jim Kidd, but for everything that Mr. Kidd stands for and what he has worked an entire lifetime for, a legacy that when you talk to anyone in Palm Beach County, Jim Kidd's reputation proceeds him, not because of his words, but because of his actions. Mr. Boggess said he was brought to SouthTech purposefully, and to fulfill the mission and continuing vision was that purpose. Balanced budgets for all three schools are a daunting task, and they sat in budget meetings, Board chair included, it kept coming back to there is no other way. As much as it hurts, we must stand for 1800 students, 200 employees, and 500 adults that we serve in this community. That is who we are and when we look at what we are accomplishing, it is bigger

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than us all and we are changing lives. Mr. Boggess went on to speak about testament to who Mr. Kidd is as a pillar in the community.

Mr. Boggess moved into the Budget aspect, pointing out the document Student Enrollment Impact on Budgets, showing the Board what we faced in the 2019 and the 2020 budgets, and how it was not just a budget aspect, but a cash flow aspect. We were spending more than we were bringing in. As we came into August 30, September 15 and September 30, we were becoming dangerously close. That is why we are at this meeting today. We stayed with budgets, we identified the problem, and we have taken corrective action. System-wide, they made over \$500,000 worth of cuts, and the grand total is \$560,000. Decisive action has been taken, exactly as Mr. Kidd described, and it started with the top and went down, as per the recommendation of the Superintendent, the Board Chair, our Chief Financial Officer and Mr. Boggess. It begins with the resignation of the Superintendent and moves to a 5% reduction of all staff and administration, a transportation clerk, the transfer of a technology position to a school base, multiple consultants, both from the Board level to school-base level. It is a hiatus on SkillsUSA that will not take place this year, it is a reduction of legal fees by half, a hiatus from Florida Consortium of Charter Schools membership. It is a reduction of the STSC principal and the absorption of that under the SouthTech Academy Leadership Team, and in doing so, a school within a school model, still a stand-alone school, but it will not have its own independent principal. All these cuts put us in a balanced budget for STA with \$206,180 over and STPA squeaks in with a \$3,000 over, and STSC with \$5,963. STA has had a 5% attrition rate totaling plus or minus 33 students. What you will see on the budget worksheet before you are year-to-date current revenue loss, \$202,000 current, and you add in the 33-student attrition, and we are at \$450,000; for STPA - \$90,000; for STSC - \$120,000.

When you compile all those pieces, it gives a chance to save the great work that is being done in Palm Beach County called SouthTech Schools. Mr. Boggess said that he will give it everything he has, as he has since he began working here, to make sure that we continue to lead and to serve this community the way that we need to. We do have a rough road ahead of us, but it is possible? Yes. Is it probable? Mr. Boggess believes so. The new facility will serve the community, like the current one has since 1976, for four more decades. So, we ask, what are we building? Palm Beach County Premiere Career and Technical Center. Who are we building it with? This community. What are we building it for? The next Generation Leaders. So, we must stand up, take the reins, and do what is necessary. This will only work when everyone works together, from a Board standpoint, with a Superintendent, a Leadership Team, with the community, with Politicians, with CEOs, Mayors, with the School Board, bring everyone back to center for why we are here. That is the betterment of students. We do what is right for kids and we bring these budgets back to you with one of most difficult decisions Mr. Kidd and he has ever faced is testament to that. The second is that everyone works sacrificially, from the top down. Lastly, that all work purposefully. This Board knows that he is diligent when it comes to the school's mission statement, and if it does not fit within the three-prong approach of our mission statement, it will not be done in a SouthTech school. Unless you align with a mission to the vision, that is not purposeful leadership. Mr. Boggess said he could say confidently that we are going to save SouthTech Schools, with those three pieces and strategy behind each of them, we will. Not easy, not painless, and it will take time, but together, it will be achieved.

c. Approval of Amended Budgets

Mr. Notter asked for a motion for 5c.

Motion: Mr. Kesten Second: Mrs. Nicolini

Discussion followed.

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Mr. Feldman said that he has a few questions about pieces within the budget, that if someone would sit down with him during the week, he could ask them, as they are simple questions. Mr. Kidd told Mr. Feldman to let him know when he is available. There were further questions regarding the Bridge Loan for more details, and Mrs. McInerney responded that they have not received all the information yet, and that it should be coming tomorrow. Mr. Flah asked it is going to be an additional expense, and Mrs. McInerney said yes. She also said that they have put a freeze on everything. There was more discussion with questions and responses between Mr. Flah and Mr. Kidd. Mrs. Nicolini asked if the bookkeeping problems been corrected, because she heard statements that something was not caught until it was too late. Mr. Feldman said the issue with ESE had nothing to do with the grant or Operating but had to do with the problem that Vocational Rehab did not provide the revenue that they had agreed to for the program. We did the program, but did not get the revenue that was promised, but only partial reimbursement, but that had nothing to do with the operating piece of ESE. Mrs. Nicolini asked about the lawsuit and asked if we would be getting any monies. Mr. Kidd responded that the situation with the lawsuit is that it will now go to appeal, but right now, supporting the appeal is not in our budget. Mr. Boggess said that was part of the legal fee reduction in the Amended Budget. He also told Mr. Flah that regarding his comment on supplies and other pieces, that 80% of the budget is personnel, and that they did the best they could in thirteen budget meeting, to cut positions, but without any instructional cuts, so that we stayed student centric in our decision making, and still equip us to priority one, stay safe, and priority two, increase student achievement. Mr. Kidd told the Board, by the way, that the Walton Foundation, through whom we were pursuing a loan for Prep, had turned us down, based on last year's financial statement. Mr. Kidd ironically, he had to give a long explanation to them on why our population attrition rate (5%) was so low, because it was less than half the national rate (8.4% - over 12%) with the type of demographics we have. Mr. Feldman asked if Prep was close, and Mr. Boggess responded no. Mr. Notter called on Mr. Heller. Mr. Heller said we had discussed how we came up with the projected enrollment figures, and if we did not make it last year, and these numbers are higher, where did the numbers come from. Secondly, when we were discussing the budget in the financial committee meetings, the emphasis that came from the Chair and from him was that whatever we did in adjusting our budget, we had to keep our quality up and we had to serve our students. He said he was just as shocked as everyone else to have Mr. Kidd resigning, but he was looking at the numbers in the budget, where are these numbers coming off on the administrative end. We are not going to be doing SkillsUSA but are still going to be pursuing the numbers for Industry Certification, as it is important component in the quality. He had one other observation, the percentage rate of students who were accepted, but did not show up, is fairly consistent between 23% and 25% for two years. He was wondering if that is factoring in now going forward. Students want to be accepted, but if we have 25% not showing up on a regular basis, it must be looked at a lot earlier in the process. Ms. Heinz asked if the loan for the \$750,000 has the best rate, and what is the exact amount for that Bridge Loan. Mr. Kidd responded that it was a high estimate. Mr. Heller mentioned that since Mr. Kidd has been a very integral part in working with staff and in planning for our relocation and moving to the new facility. He has been the face of us in many ways, so what role will he play in doing some of this. Mr. Notter responded that there had not been anything discussed more than a very surface level to the answer to that question, because of what you see before you today. Mr. Kidd will be here on the payroll at least until September 30th. If there is time after this Board meeting, Mr. Notter will with him to have that conversation, possibly serving on committees. The Groundbreaking will be next week, and we will be moving into the Promised Land, and Mr. Notter said there will be some pieces that he, as Chair, will take responsibility for. We have a job to do, and that is to have a balanced budget. We have 1200 students and 200 employees that we are responsible for. Mr. Notter said that is his responsibility, but he does not have all the answer tonight, but will do his best to do to get the answers before Mr. Kidd's retirement date. Mr. McKoy asked what the student process was for enrollment. Mr. Boggess explained the problem that we now have in that before,

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had a system that we were able to see the student's discipline and past attendance, which are the primary two factors we were using. For the past two years, we have had no access to that and were accepting students blindly. So, you saw the attrition as it was for two years, because these were students that we accepted, no knowing anything about them. When the students came, they thought it was going to be like John Q. Public High School, where you did not have to get up and be here by 7:00am and you did not have to wear a uniform. When we talk about enrolling a student, there is an application process whereby Ms. Claudia Escobar sends out a letter, telling the student whether they are accepted or not. If they are not accepted to SouthTech Academy, they are told that they are a good candidate for SouthTech Success Center. There is not a large percentage of denials at either school. So, we do not deny acceptance based on academic achievement, but it is based on discipline and attendance. Mr. McKoy said that for next year, he would like staff to come up with a better plan. He commented that it looks like once the students are enrolled, there is no contact with them until they come to the school. Mr. Boggess said that now, we have the Academy teacher contacting the student to get them excited about that academy, so there now is that connect between the student and the Academy teacher. Mr. Boggess said that we have been doing a great job on social media, but it is more from the adults to the students, and that must change. It must be from the students to the students. They need to see how awesome SouthTech Schools is from our students.

Mr. Kidd said he would like to happen that for the students that did not show up, and he hopes that Mr. Boggess does it, is that the principals would reach out to those students and tell them that we really miss them, and give them a special invitation, that if they are not happy where they are, they are welcomed to come in. Every student that we pick up is a \$7,500 impact on the budget. Before mid-year, maybe do it again, and it could be a letter from the principal or some way to contact that student to let them know that we are still open to them. We are not effectively reaching the kids. We may be doing all these wonderful things and we had a marketing person, who was more of a PR person. Right now, we do not have a marketing person. Mr. Kidd continued to talk about things that were occurring that contributed to our lower enrollment, including the District offering programs, but the District is doing a much better job at offering sub-standard programs than we are marketing our excellent programs. Our programs were getting the kids ready for work and were not an elective. Our programs are not like the Districts where half the students there are in an elective class and have been put there because no one can make them behave or keep them corralled. Ours is serious vocational education, in a 4x4 block schedule, where we give them more hours of exposure to the skill. Mr. Kidd spoke about some our programs compared to District programs to show that they were inferior. Our kids have far more experience and far more exposure. We are not effective in getting the word out. He said he does not know what it will take to do it. The new facility will help us a lot and the new State-of-the-Art Premier Tech Center of Palm Beach County is going to bear some allure, but we need to do a better job at getting the kids in and figure out how to do it. Ms. Edmond talked about the piece regarding parents, and she said that it is important for parents what school their child goes to and for this school, the time they have to get up in the morning. Even the parents do not want to get up that early. Ms. Edmond thinks it is important to talk to the parents to appeal to them about what is true, the fact about the "A" grade, so appeal to the parents. Mr. Boggess talk some about the transportation and how the District has a fleet of new air-conditioned buses with Wi-Fi, and we do not have that kind of fleet currently. A student does not want to wake up at 4:30am and sit on a bus, four to a seat and sweat all the way to school. Ms. Edmond said that behavior is also a big issue, and as a parent, she wants her child to be safe.

Mr. Kesten asked we go back to the budget, and Mr. Notter said he first wanted to make sure that everyone is clear on the Bridge Loan. Mr. Notter said that we must have the Bridge Loan in conjunction with the balanced budget. One does not walk without the other to get us through the end of the year.

All in favor of Item 5c. None opposed.

Motion passes.

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e. Mr. Kidd recommended that the Board approve the Bridge Loan for SouthTech Academy

Mr. Notter asked for a motion.

Mr. Heller motion. Second by Mrs. Nicolini

Discussion.

Mr. Kesten asked how much were we borrowing? When do we have to pay it back? How much are the monthly payments? He said he cannot vote on a loan if he does not have the details, and there is nothing in the packet. Mr. Kidd responded that we do not have finite details on the loan, but from the information that Mr. Kidd has, and he does not have the percentage on the loan, but it would be a lump sum, payable at the end of the year for \$750,000, and he would imagine it would be at 6% loan. It is a lump payment, but part of it could be rolled over. This would be a short-term plan and there will have to be a long-term plan. Mr. Kesten said that all of what has been said, and based on the budget that they just passed, where we will have a profit of \$206,000, how can we pay that loan back and from where? Mr. Kidd asked Kathryn McInerney to respond. Kathy said that the budget is in the black and is over a 12-month period. She said that a good deal of our expenses are at the beginning of the year and we are having a cash flow problem. She said that hopefully, we will not need \$750,000, and we are going to have to work with 30-60-90 days for accounts payables. Mr. Heller asked Kathy for additional details about the loan and a Kathy responded that all the details will be brought to the September 17th meeting. This request is more to apply for the \$750,000 loan in order to get the process moving for the Bridge Loan for STA. Mr. Heller said that we do not have the ability to cover things without changing how we pay vendors and payroll taxes were also mentioned. Mr. Kesten said he understands all this and he understands that we need the money, and he does this for a living, but he would not allow a client to approve a Bridge Loan if you do not have any of the details, other than it would be for \$750,000. He suggested that they amend the motion to authorize the Superintendent to apply for the loan. He would not have an issue with that, but to approve the loan, he does have an issue. Mr. Kidd said that the Bridge Loan for the Success Center for \$500,000 had been approved by the Board. There were some snags in getting the grant money to open the school, and they were planning on bundling the two loans together. Mr. Kesten asked if the loan is loan going to be \$750,000, plus the \$500,000 already made. Mr. Kidd replied that it would be \$500,000 that would be paid for with the grant proceeds. We could not get the loan until we had a balanced budget, and we could not have the balanced budget until we had the Special Board meeting. We might be able to hold off until the 9/17 Board meeting to approve the Bridge Loan. Mr. Kesten said he did not have an issue with authorizing the Superintendent or the Board Chair to apply for the loan, but the issue was to approve the loan. Mr. Feldman asked Kathy questions about when the monies from the District would be expected, and some by September 10, and other FTE monies, not until December. Last year, they were not received until February. Mr. Feldman said that is the reason we would be in the red. He agreed it would not be appropriate to vote on something we do not have details about.

Mr. Kidd said he did not know how long after the loan is approved they would be able to get the proceeds from it, if you had to, how long do you think you could operate without the Bridge Loan being approved. Kathy responded we would be fine until September 30, and they would get creative with other payables.

Mr. Kidd said he would get the details and bring them back to the Board at the 9/17 meeting. Mr. Kesten said that tonight, the Board, other than approving the amended budgets, were to authorize you to apply for a Bridge Loan. Mr. Kidd said that it was piggy-backed on the one that they had already applied for. Mr. Kesten said then, at this stage, since they had not applied for that other loan, we should be authorizing you to apply for the loan, and once we get the terms, then the Board can vote on approving that loan, which can happen at the Board meeting on 9/17, which is Mr. Kesten's recommendation. Mr. Kesten asked how long it took them to get the \$500,000, and Mr. Kidd said they never consummated the loan process because they were able to get around it temporarily. Mr. Kesten asked how long it took to get the loan approved and receive the \$500,000, once

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the Board approved it. He asked to see how long the process will take to get the loan they are discussing tonight. He repeated his recommendation.

Mr. Heller amended his motion for the Board to authorize the Superintendent to apply for a Bridge Loan for SouthTech Academy. Second by Mr. McKoy.

All in favor. Motion carries.

Motion to Adjourn:

Mr. Kesten

Time: 8:40pm

Minutes prepared by: Barbara J. Fraga Approved: James F. Notter 9-17-19