



**BOARD OF DIRECTORS MEETING**  
**SPECIAL CALL MEETING**  
**FY11 BUDGET AND K<sup>12</sup> CONTRACT RENEWAL DISCUSSION**  
**Friday, June 4, 2010 11:00 AM**  
**Merit School of Music**  
**38 S. Peoria, Chicago, IL 60607**

Board meeting called to order at 11:20pm. Members present are Stephanie Tyler, Kevin Bargon, and Earl Fredrick. Mary McCann, Justin Solomon, and Rudy Martin attended by phone. Also present are Board Attorney Alan Wahl, Darren Reed and Farland Jenkins. Kelly Gnepper and Leah Rodgers from K12 are present on the conference line. A full list of attendance is attached.

This meeting is intended for preliminary discussion of the budget and contract renewal with K12. The Board cannot take any action at this meeting because only three members are physically present. There is time sensitivity involved with submitting the budget to CPS and CVCS is facing a difficult environment with funding being cut. Mr. Reed and K12 Finance Representative Kelly Gnepper will explain CVCS's budget scenario.

The relationship between CVCS and K12 has led to substantial accomplishments that should not be ignored. CVCS has achieved AYP for three years in a row, and will likely obtain AYP for a fourth year. According to the Illinois interactive report card, no other school with similar demographics to CVCS has been able to achieve AYP for three years. CVCS won an academic improvement award for sustaining an upward trend in test scores for the past two years. These are quantifiable aspects that show the efforts of teachers, parents, and administration.

K12 has put together four options on what the budget would look like after making cuts. Mr. Fredrick thinks that the core elements of the school are teachers, instruction and students. CVCS also has legal and financial obligations. It is almost impossible to maintain the fees, facility and the core elements without K12. Currently, the FY11 budget shows \$4 million in revenue and a deficit of \$917,000.

Option 1: Adjustments have been made to student funding and an additional paraprofessional was hired. Because CVCS is a Kindergarten through 12<sup>th</sup> grade school, there is a significantly larger amount of funding per student for 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> grade than there would be if CVCS did not have a high school. After making these adjustments the deficit is \$752,000. These adjustments are included in the next three options.

Option 2: There has been a lot of discussion around whether or not CVCS should have a high school. This option removes the high school and replaces it with K-8 students to maintain 599 students. All KEG teachers and the high school counselor were cut from the budget. One or two teachers were added and the cost of materials had a minor decrease. Students in grades 6-

8 get the lower elementary funding rate. This option leads to the revenue dropping from 4.5 to 4.1 million dollars and the deficit growing to \$800,000.

Option 3- This option presents the result of the following expenditures being cut from the budget: the advisor, counselor, bonuses, ISP reimbursements, professional development, Board expenditures and consultant fees. Even after making all of these cuts, the deficit is still \$450,000, but every one of these cuts has a significant impact. If CVCS maintains its resources it will have a \$750,000 deficit in FY11. The Board and K12 are looking at all options. Ideally, CVCS will be able to get more funding and maintain all resources.

Option 4- In order to have a zero balanced budget, CVCS would have to reduce teacher counts in grades K-8. This leaves only three teachers and a ratio of 1 teacher to every 160 students. CVCS cannot lose all of these teachers because the goal is to improve the school. There are some things that cannot be cut and the best option is to increase revenue.

We have had surpluses in prior years so we could build up and use savings in situations like this. Charter schools are not intended to make money. CVCS has the unique advantage of partnering with K12. K12 provides a funding source that is able to help cover the deficit. Other schools are cutting 10-20% of their staff. Support from K12 will require a longer commitment from CVCS. A contract proposal for renewal has been drafted.

Mr. Fredrick informed the Board that CPS requires a balanced budget plan for two years preceding the renewal of a charter. Funds must be spent in responsible way and should only be spent on strategic decisions to improve the school. In general, you should never spend more money than you have. Mr. Reed agrees that the key is to spend strategically and to do more with less. CVCS should act fiscally responsible. K12's goal is to maintain a high quality school and if this means that there will be a deficit then they will provide a financial guarantee.

Mr. Reed explained the proposal. K12 will cover the FY10 deficit if CVCS agrees to a long term commitment to a partnership with K12. Strategic budgeting and planning that focuses on responsibilities, transparency, and checks and balances of how the students are performing will be provided. The administration exists to carry out what CVCS needs, not to run the school. K12 cannot hire a new Head of School without Board and school involvement. K12 also remains committed to finding a facility options that are the best option for CVCS in terms of transportation, funding, etc. A facilities committee will be formed to support the process.

Board Attorney Wahl informed the Board that there must be an action authorization to allow all or a subset of members to engage in formal negotiations with K12. Because there has not been a formal vote there will have to be a special meeting to vote on the authorization. K12 can put together a formal/binding proposal that can be voted on in the next meeting. Mr. Bargon requested that Mr. Jenkins check into getting an extension on the budget submission deadline. In order to avoid cuts, CVCS's most viable option is to renew the contract with K12.

#### **Public Comment**

Mr. Gonzalez asked when the teachers will find out if their contracts will be renewed. Mr. Wahl explained that the contracts end on July 31<sup>st</sup> and that at a bare minimum these decisions are made at least 30 days before the contract ends. Ms. McCann pointed out that when Dr. Law talked to the staff about contract renewals, he only spoke to the teachers. The intent is to keep

the current staff, but no jobs are guaranteed. Ms. Tyler asked if the other CVCS staff members need to receive contracts. Mr. Wahl explained that this is a question that Bruce needs to answer but if there is not notification of renewal, this usually means nonrenewal.

Mr. Martin suggested that the next regular Board meeting be pushed from the 17<sup>th</sup> to the 24<sup>th</sup> of June to allow more time to prepare for decisions regarding the budget and the contract with K12. Mr. Bargon said that there has to be a meeting on the 17<sup>th</sup> and that there can be an additional special meeting later in the month. There will be two posted Board meetings before the 1<sup>st</sup> of July. Mr. Fredrick would like to be able to discuss more budget options before having service negotiations.

Mr. Harper asked how K12 benefits from covering the deficit. Mr. Reed explained that K12 will do everything they can within reason to maintain the best quality, non-traditional/alternative schools. K12 is a for-profit organization and CVCS pays them a significant amount of money. CVCS also needs to make money to be able to pay the bills. CVCS and K12's interests should be aligned even though there are different sets of stakeholders to please. If CVCS fails, then K12 fails too. K12 wants to improve the program and they are creating a hybrid model at CVCS. This adds to their ability to make more money and have high performing students.

Ms. Tyler pointed out that K12 can reduce their fees and still make a profit. A profit is a profit and K12 cannot cover their expenses without making a profit. CVCS has a much larger deficit this year compared to last year, but there are fewer students. Ms. McCann explained that there needs to be cost controls put into place so that we will not continue to operate in a deficit. CVCS's goal is to have a balanced budget and a small surplus to be able to invest back into the school. All spending, practices of the head of school, and policies of the Board should be completely transparent.

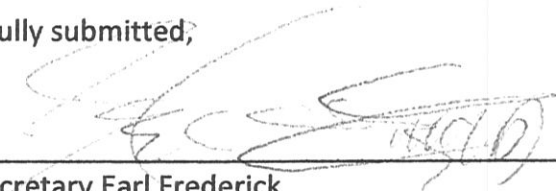
Ms. Tyler discussed the amount of money being spent on teachers compared to students. CPS never budgets more money to be spent on teachers than students but CVCS does. If CVCS did not have students, we would not have funds, so the money should be spent on the students. Mr. Bargon explained that the teachers are here to support the students.

When the budget was broken down the top priorities were the teachers and students. Minor adjustments can be made to the budget while maintaining the capacity to teach and have materials and curriculum.

Mr. Reed urges the Board to move towards the contract discussions. Not all decisions that have been made were in the best interest of the students and this is concerning. K12 will make the spending more transparent. Ms. McCann wants to be aware of how funds are being spent.

Meeting adjourned at 12:40 pm by Mr. Frederick.

Respectfully submitted;

  
Board Secretary Earl Frederick

  
Date