

\*Unofficial Minutes, Subject to Board Approval

5/6/2013

Seacoast Charter School Board of Trustees, at the Seacoast Charter School Art Room

### Public Meeting Minutes

Board Members In Attendance: Marc Brown, Rob Wise, Stacey Eaton, Steve Liponis, Marc Wood, Matthew Broadhead, Bill Jordan, Kelly Arp, Jacki Rice, Kristin Larrabee, Roberta Mantione.

At 7:03pm Chairman Steve Liponis called meeting to order.

Reviewed April 15, 2013 Minutes – unanimously approved.

Chair Report – The agenda will be moved around due to the large presence of the public. This is an attempt to accommodate all those present and anticipating that the reason that they are present is to hear about the Social Security/IRS issue that has recently arisen. Steve said that he will first turn the floor over to Matt and Rob to explain the background of the situation and then hear public input. The following is a brief overview of what the Board has been able to piece together about this issue so far. This is our current impression of the facts presented to the Board and based on the advice of counsel we have obtained to date – this could change as more information comes out.

#### History of Tax Issues

Matt expressed his opinion that, first and foremost, the Board is committed to the welfare of the school, its employees, and the students. What we are about to talk about, he believes, will in no way affect the quality of the education of our students and that contrary to some rumors circulating, the school will remain open for business and will not be forced to closed.

Matt received a call from Roberta in late March asking about whether or not public school teachers were exempt from Social Security withholdings and employer contributions. Matt said that he was not aware of any such exemption and referred Roberta to the school's attorney, Jim O'Shaunessy, of Upton and Hatfield. Roberta met with Jim shortly thereafter. The next week some members of the Board and Roberta participated in a phone conference with Jim. We were then referred to Attorney David Barradale who is an attorney who specializes in non-profit tax issues. The Board voted at its April 15 meeting to formerly retain Attorney Barradale for this issue. We have been working with Attorney Barradale on this problem since retaining him. Since that date Rob Wise and Matt have been in contact with Attorney Barradale and providing him with the necessary information to attempt to resolve this issue.

The background of the issue is as follows: there is a federal law and regulation in the tax code that exempts public employees from Social Security withholdings and contributions if they are participants in a state-run retirement program. There is also what is called a Section 218 agreement in NH which is an agreement between the state of NH and the Social Security Administration which reverses the federal exemption, i.e. it states that participants in the state retirement system are also subject to Social Security withholdings and contributions. Not all states have this agreement, but the ones that do enter into such agreements do so to expand the benefits eligible for their state employees.

In 2005 or 2006 the Board of Trustees approved SCS's participation in the state retirement system. The office manager at the time relied on advice from the payroll company and began contributing to the employees retirement system and did not withhold or contribute to employee's Social Security tax. In 2006 the State Retirement Board officially approved SCS's participation in the state retirement system. There are some emails and documents which indicate that at the time, the office manager was acting in reliance upon discussions with the payroll company and a representative from the state Department of Education. Roberta questioned whether we have evidence that the Department of Education was consulted in 2006 when this was set up. Matt stated that he was working from memory of a document he looked at a while ago and will have to double check whether it was someone from the Department of Education or some other state representative and we do not know what specific advice was received. Matt said that this will have to be researched further, we are still trying to uncover what the original basis for not withholding the Social Security amounts. Matt recalled a note that the office manager had been in discussion with the IRS at this time as well discussing a related tax issue. In any event, SCS has not been withholding or contributing to staff's Social Security wages since about 2006.

Since 2006 the Board has ordered and received a yearly audit by tax professionals by tax professionals and neither these entities nor our payroll company have raised this withholding as an issue in the years since this payroll was set up. We have not been contacted by the IRS or the Social Security Administration on this issue.

We were advised by Attorney Barradale that the SSA has a statute of limitations (i.e. a look-back period) of three years. Currently it appears that the school may owe a total of approximately \$180,000 in Social Security wages during this period. This includes both the employer and the employee portion. It is theoretically possible for Seacoast Charter School to seek the return of the employee portion directly from its employees, however, as a practical matter Matt noted he was not aware of anyone on the Board would make a motion to do that under these circumstances.

To resolve the situation, SCS, acting through counsel, initially approached the IRS by seeking to participate in a 'Voluntary Classification program' which would have significantly limited the school's tax liability. However, because our employees received W-2s and not 1099s we were advised that we were not eligible to participate in that program. Attorey Barradale said that the next step is try and enter into an "ad-hoc" agreement with the IRS regarding the payment of the amounts payable. As far as we are aware, this is done on a case-by-case basis and there are no formal policies or procedures that govern this. Rob had suggested that we attempt to have the IRS waive interest and penalties and accept a three-year payout of the total amount owed. Given that this is a non-profit charter school who had relied on staff and payroll and tax experts, he hoped that this would give us some leverage in negotiations. Matt said that Attorney Barradale believed that if we were not able to reach an ad hoc close out agreement then we may still be able to enter into an installment agreement to pay the liability over a number of years, although interest or penalties may be assessed.

Matt asked the Board for authorization from the board for two things: (1) that we authorize Attorney Barradale to disclose our situation to the IRS and to begin negotiating and working on an ad-hoc resolution on our behalf and (2) that we instruct our management staff to immediately began withholding and contributing the appropriate Social Security amounts from their paychecks.

Before the vote, the floor was opened up for public comment:

Question from member of public: Upon close out, can we guarantee protection for the teachers?

Comment from John, a teacher at SCS: Discussion of the effect of the budget on teachers, he expressed a lack of trust in the board. He said that over the last 5 years, he felt that he had been robbed of two years of his social security wages. Those are two years that he feels he can never get back. He expressed his desire for the board to take actions to change its ways.

Question: How are we going to break payouts over the next couple years?

Matt said that we do not know what type of settlement we will ultimately reach, since it will depend on how the negotiations go, ultimately the Board will have to approve any settlement or close out offer.

Questions: what process do you going you forward with the 501(c)(3).

Roberta and Jacki will be working with our general counsel to ensure that we are properly managing the 501(c) (3) and any school donations.

Question regarding: Right to know law and whether we have been compliant with providing minutes and other records.

Matt said right to know requests should be honored. Send Kim a request for access and it should be provided, as long as the material is discoverable under that statute.

Comment from parent: He said that if he was a teacher he too would have lost the trust of the board. He asked for present board members to ask themselves whether they still want to be on the board and why.

The Board then voted unanimously to authorize Attorney Barradale as described above and to instruct our management staff to immediately began withholding and contributing the appropriate Social Security amounts from their paychecks.

Head of School Report (see attached document)

Enrollment figures discussed 272 there is room to accept 4 more students

Job Postings two teachers leaving, one will be replaced one will not due to smaller 7-8<sup>th</sup> grade.

Roberta requesting DOE to provide a book for charter school start-ups

An employee was approved for maternity leave

It was suggested that Board members participate in a webinar being put on by a charter school guru relative to the management of Charter Schools.

Discussion of budget

Marc provided an overview of the proposed 2013-14 budget which was approved last week by the finance committee.

Jacki raised an issue that the headcount numbers for last year's budget (2012-13) were inaccurate. She wanted to make sure that Roberta was aware of this so that when pay raises were considered that they

were based on the accurate numbers from last year. Marc noted that he made the necessary corrections, however there would be no bottom line adjustment in the 2013-14 budget proposal as a result.

Marc explained the 96% holdback and why that was calculated (assuming that we have at least 96% enrollment throughout the year), explained other changes including withholdings, supply numbers were cut, he noted that the alert now system was kept. There was \$45,000 set aside for attorney's fees and tax obligations. It was explained that any increase in the State funding for the Charter School (which has not been set) or any surplus would potentially go to this line as well. The teacher salary line received a \$50,000 increase. Roberta had developed a way of distributing that amount fairly so that the teachers would be receiving a raise, although each teacher's raise varies based on different factors.

The Budget includes paying for a new staff member who would be at the front desk on a part time basis.

Roberta asked that we look again at the HOS line and increase it, although Roberta is leaving, she felt compelled to note that on a per-hour basis she felt that the head of school will be earning less than some teachers. Marc noted that the Head of School line was reduced to \$60,000 from \$75,000. Matt mentioned that Roberta's salary was only recently increased and that we were able to attract an extremely capable individual like Roberta in this role at less than \$60,000 and hoped that we could again find an individual as qualified as Roberta for this amount.

Marc moved to accept the budget. Rob seconded. The floor was opened to public comment prior to a vote. Public comment:

Question whether there was any analysis as to how this budget compares to last, suggesting that we have separate breakouts of last year's budget and this year's so that we could see any trends. Marc said that was a good idea and he could work on that for next year.

Multiple teachers expressed their concern and worry about their job security and their lack of trust in the board. Theresa felt upset and unappreciated. Felt like the board should apologize for the tax and financial situation.

Parent comment: Tony - Felt like Marc's comment that contracts are individually negotiable was a wrong position to take with respect to the teachers in attendance and that it was contrary to what Roberta was setting up.

Parent comment: He viewed that the Board needs to restore trust and that parents need to be more active – he wants to make sure the school is viable and that the teachers are core of the school. Wants to know what is going to change.

Teacher: Felt that she was forced to leave because of something that is not in her control, i.e. the school's financial situation.

Jacki – stated that the board needs to be informed, that she encouraged parents and teachers to come and attend these meetings so that we can receive input.

A parent asked if the board had considered other alternatives to provide could provide zero interest loans, 600 per student at 272 students. There was some discussion about how many parents have not paid their art supply costs and that any prospect of that may be slim.

A parent appealed for more donations and commitments to art fees and commitment to attend school functions.

A parent voiced her opinion that individuals on the board should resign based on the Social Security withholdings issue.

There was a question about the percentage hold back and what that represents. Marc explained that it was assuming less than 100% enrollment based on prior year's variations.

Teacher comment from Kristin – an assistant in kindergarten. She stated that she has full confidence in the teachers here, feels like she has been receiving a lot of negativity and requested that it stop. She feels honored to be a part of the school and wants people to be positive about the school. She suggested that people move on from the anger and try to be more positive.

Kristin L., board member and teacher, wanted to shed light on the fact that there are new board members who have stepped up and filled in in a very difficult time and that they should be appreciated.

A parent voiced concerned that the board is not supporting the school enough and was concerned about finances, suggested that there are financial obligations that parents are asked to contribute out of pocket. Called the board's current dynamic as discouraging. Concerned that the teachers don't trust the board. Board should think about how to rebuild trust.

Public comment came to a close and the Board proceeded to a vote based on the prior motion. The Board unanimously approved the 2013-14 budget.

Steve asked to move forward with committee reports. Kristin – described her participation in a safety workshop discussion, working on developing the policy, important that the staff has an ID card. Continues to planning for crisis response, continue to developing this response. See attached information to minutes.

Personnel – committee great feedback on head of school survey. Matt suggested it could be used by hiring committee to develop a picture of what a head of school should be doing.

Fundraising - Kelly Arp – breakout of donations from fundraiser. See attached report. Goals include spreading the donor base and the volunteer base. School/board needs to take more of the responsibility and effort in volunteering for the fundraiser.

Technology – Marc Wood. Possibly acquiring 30 computers from Comcast this Friday.

PTA – Kelly Arp said that they were working on field day and there is a fundraiser at Epping Applebees, May 16<sup>th</sup> 4-9pm.

Summary and action items:

Jacki suggested that the board look into ways to improve communication between parents and teachers including establishing a committee. Matt seconded Jacki and suggested a committee be established with concrete goals such as improving communications and trust by soliciting input from the community and coming up with concrete solutions to the problem that was presented. Matt suggested that Jacki head it up and that the committee be composed of board members who are teachers and parents. Steve

appointed Jacki to head up the committee. Jacki said that she would get to work on it this week. Other members include: Jacki, Bill, Kelly, Marc Wood, and Kristin.

Kelly brought up her desire to create in September a "back to school night" where parents can meet the teachers, board of trustees, and it would serve as a way for everyone to become acquainted with one another. Steve said he would add it to the agenda.

Next meeting is scheduled for June 10, 7pm at the school in the art room. Motion to adjourn was made, seconded, and unanimously approved. Meeting was adjourned 9:58pm.

**Budget Projections: Kingston 2013-2014**

General Inflation		3%
Number of Students(1-8)		243
Number of K Students		33
Funding per Student (1-8)	\$	5,450
K Funding	\$	3,725
Holdback		4%
Total Students		276

	2013-2014 Budget	Notes & Comments
<b>Income</b>		
4 · Contributed support		
1951 - Services provided to other LEA's within state	\$ -	
4010 · Indiv/business contribution	\$ 12,000	
4011 · Annual Appeal Donations	\$ 15,000	
4012 - Development fundraising	\$ 30,000	
4070 · Art Lesson Fees		
4071 - Student Annual Art Supply Fee	\$ 8,280	\$50 each student 50% participation
4110 · Donated pro services - GAAP		
4120 · Donated other serv - non-GAAP		
4150 · Donated use of facilities		
4180 · Music Lesson Fee		
4181 · Art Lessons		
4182 · Art Club		
4186 · Language Club		
4510 · Local Revenue		
4511 · 1310Tuition-Individuals		
4512 · Other Local revenue		
Total 4510 · Local Revenue	\$ 65,280	
4300 restricted grants in aid direct from federal govt	\$ -	REAP grant separate \$28K projection
4500 Restricted grants in aid from federal govt (thru state)		
4300 restricted grants in aid direct from federal govt		
4500 Restricted grants in aid from federal govt (thru state)		
3200 Restricted grants in aid		
3210 School Building Aid		Projected
4531 - Equitable Aid	\$ 1,394,301	No Holdback on Kindergarten
4532 · Transition Grant		
Total 4530 · State grants	\$ 1,394,301	
Total 4 · Contributed support		
4591 · 1510 Interest on Investments	\$ 550	
Total Income	\$ 1,460,131	
<b>Expense</b>		
1100000 · Instructional Program- Expenses		
1100112 · Salaries, Teachers	\$ 655,141	
1100113 · Instructor, Salaries	\$ -	
1100115 · Salaries, Support Staff	\$ 87,977	
1100116 · Instructional Stipends	\$ 12,000	\$6K each coordinators
1100220 · FICA Expense	\$ 59,431	
1100231 · Retirement- Support Staff		

1100232 · Retirement- Teachers	\$	97,548	
1100260 · Workers Compensation	\$	1,400	
1100270 · Benefits Programs	\$	61,200	Based on \$425 monthly allowance for health care
1100390 · Teacher Substitutes	\$	2,000	12 Staff Members
1100580 · Travel			
1100581 · Field Trips			
1100582 · Music Lessons (see 4180)			
1100583 · Art Lessons (see 4181)			
1100584 · Art Club (see a/c4182)			
1100585 · Professional Development	\$	-	
1100586 · Language Club			
1100591 · Contracted Enrichment Programs			
1100610 · General Supplies	\$	15,000	
1100611 · Art Supplies	\$	6,000	
1100612 · Science Materials			
1100640 · Textbooks & Workbooks	\$	10,000	
1100642 · Electronic Information			
1100650 · Computer Software,Licenses,Conn			
1100733 · Furniture & Equipment	\$	4,000	K setup
1100734 · New Computers,Conn,Networking			REAP
Total 1100000 · Instructional Program- Expenses	\$	1,011,698	
1210000 · Special Education Expenses			
1210390 Teacher liason,Spec. Ed.			
1210232 · Retirement, anticipated			
1210397 · Other Contracted Spec.Services			
Total 1210000 · Special Education Expenses			
1400000 · Other Instructional Programs			
1450490 · Contracted Instr. Programs			
Total 1400000 · Other Instructional Programs			
2100000 · Student Support Services			
2122370 · Testing/Appraisal Services	\$	-	
2122390 · Guidance/Social Worker	\$	-	
2122610 · Support Services- Supplies	\$	-	
Total 2100000 · Student Support Services	\$	-	
2130000 · Health Services			
2134390 · Contracted Nurse Services			
2134610 · Health Services-Supplies	\$	361	
2134640 · Health Ser.-Computer Software			
Total 2130000 · Health Services	\$	361	
2222000 · Library/Research Program			
2222641 · Library-Books/AV & Equipment			
2222650 · Library-Computer Software,Fees			
Total 2222000 · Library/Research Program	\$	-	
Total Instructional and Support	\$	1,012,058	
2300000 · General Administration Support			
2300110 · School Administrator, Salary	\$	140,060	All Admin
2300111 Assistant School Administrator	\$	-	
2300114 · Business Manager-Salaries	\$	-	
2300115 · Support Staff	\$	-	
2300116 · Development salaries	\$	-	
2300220 · FICA/Medicare Expense	\$	10,715	
2300232 · Retirement-admin(under teacher)	\$	8,496	
2300250 · Unemployment compensation	\$	20,000	
2300265 · Other Benefits			



2300390 · Contracted Services-Board Mgmt	\$	2,678	payroll and background checks
2300391 · Contracted- MiddleSchool Dev.			
2300392 · Development, Contracted Service			
2300393 · Contracted-Gr.Writer-Corp.Gifts			
2300532 · Data Communications			
2300534 · Postage	\$	1,339	
2300535 · Development, Postage	\$	536	
2300540 · Advertising	\$	1,000	Blackboard Connect/Alert Now
2300550 · Printing	\$	10,000	Lease+Ink/shipping charges on copiers
2300580 · Travel			
2300610 · Supplies-Equip&Furniture			
2300611 · Supplies- Development	\$	1,071	
2300641 · Reference Books			
2300733 · Furniture & Equipment- Admin			
2300734 · New Computers,conn,networking	\$	2,600	Tech Support+Postini Filter
2300810 · Dues & Fees	\$	-	
2300811 · Professional Development			
2300890 · Other expenses	\$	25,000	IRS Obligation
2300891 · bank fees	\$	268	
2317390 · Audit	\$	6,427	
2318395 · Legal Services	\$	20,000	Legal
Total 2300000 · General Administration Support	\$	250,189	
2600000 · Oper.& Maint. of Facility			
2600390 · Contracted Services-Facilities			
2600420 · Facility and grounds maintenanc	\$	5,520	
2600430 · Building Repairs			
2600431 · Building repairs-readiness			
2600432 · Building Readiness-School			
2600520 · Property Insurance	\$	6,180	
2600530 · Telephone	\$	3,535	
2600610 · Building&Grounds-Supplies	\$	10,476	
2600622 · Electricity			
2600624 · Heating Oil			
2620441 · Rent-Building	\$	120,000	
2600000 · Oper.& Maint. of Facility - Other			
Total 2600000 · Oper.& Maint. of Facility	\$	145,711	
2700000 · Student Transportation			
2721510 · Student Transportation Services			
2700000 · Student Transportation - Other			
Total 2700000 · Student Transportation			
3000000 · Operation of Non-Instr.Services			
3100441 · Food Services Operations			
3100570-lunch program. Catered			
5120 - Interest Expense	\$	3,000	LOC
Total 3000000 · Operation of Non-Instr.Services	\$	3,000	
Total Administration&Facilities	\$	398,900	
Total Expense	\$	1,410,959	
Surplus/(Deficit)	\$	49,172	
Holdback	\$	57,891	
Surplus/(Deficit) - after holdback	\$	107,063	

## **HOS Report**

**Board Meeting May 6, 2013**

### **Enrollment**

K- 33

1st- 17(returning) + 10 (newly accepted students)= 27

2nd- 30

3rd- 31

4th- 32

5th- 30

6th- 36

7th- 27

8th- 26

Total= 272(room to accept 4 more students)

### **Job Postings and Hiring:**

We will be posting for the first/second grade position vacated by Catherine, the new half day kindergarten position, and a maternity leave position for the fall for Kristin.

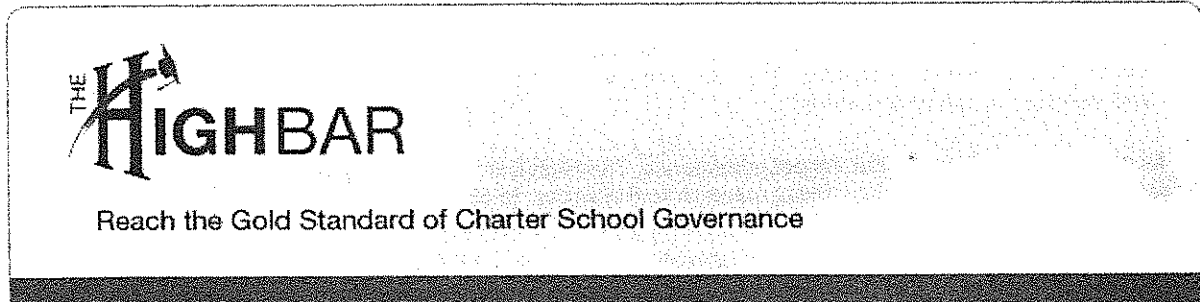
### **5013c issues:**

In my first conversation with Jim O'Shaughnessy, our lawyer, he and I discussed the status of the 5013c and he was concerned that we were not using it for our fundraising money. Kate went to a workshop with GEBEC leader and discovered the same thing. I am now aware that the other charter schools have this status and put all of their fundraising money through the 5013c.. Currently it is held by the Friends of Seacoast Charter School and that board has not met nor have they ever filed tax reports. This will not transfer to the school so we would have to reapply as a school in order to be a 5013c. I recommend that we let the current 5013c expire and apply for another for the school.

### **Title I Grant : "Turtles and Snakes and Lizards! Oh My!"**

Jenny and I are applying for our \$5,000 grant for summer literacy program. It will be focused on non-fiction reading and writing and will be in partnership with the Prehistorix people who will do four short reptile shows for students which will be followed by related books, writing projects, and art.

**Recommendations: Invite Marci Cornell-Feist from Highbar** for a study group on what we can learn from this SS issue and what needs to be changed.



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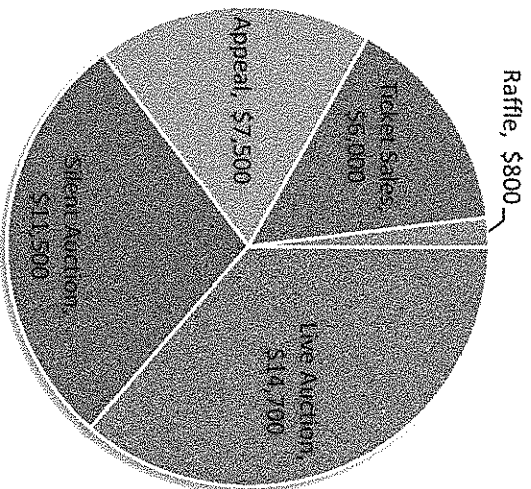
**Watch the Webinar** on the role of the Board and Finance committee in financial obligations:

# Evening with the Arts Debrief

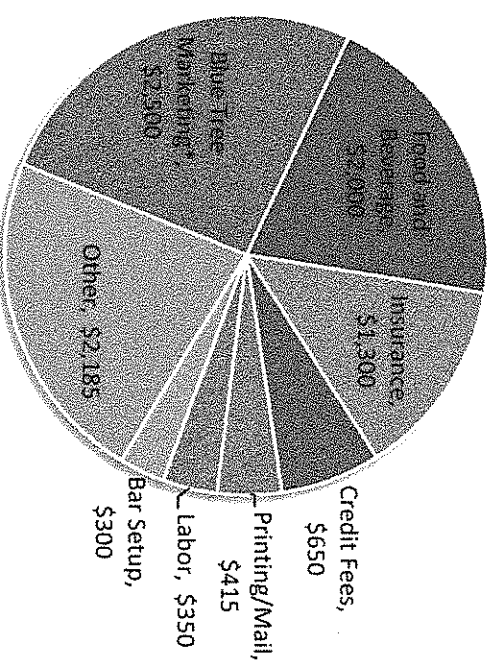
## Executive summary

- Profit of \$30,500; 76% profit margin
  - Revenue of \$40,200
  - Expense of \$9,700
- 200 attendees, 158 paid tickets
- Estimated 2,200 man/hours to execute

## Revenue Breakout



## Expense Breakout

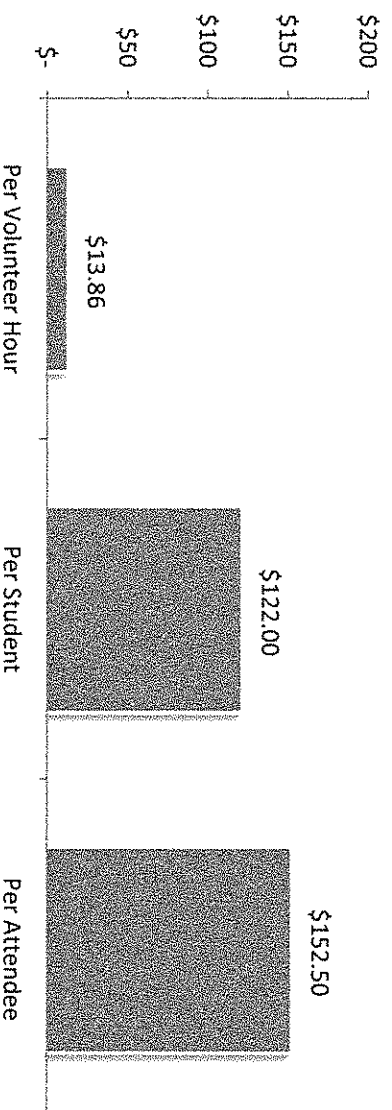


# Evening with the Arts Debrief

## Key Observations:

- Overwhelming majority of work fell on select few volunteers
- Unrealistic to expect same volunteerism on an annual basis
- Lack of institutional knowledge. Volunteers learned as they worked.
- Majority of auction dollars generated by a generous few

## Perspective on profitability:



## **2014 Discussion, Planning, and lessons learned from 2013:**

**2013 event success proves willingness for community/parent support, but current structure non-sustainable:**

- Need stronger ownership from school (vs. volunteers)
  - None of 2013 planning committee currently willing to lead 2014 event due to burnout
- Need imbedded SCS institutional knowledge/ownership to avoid “learning curve” and/or unfair burden placed on volunteers
- Worth considering conducting event bi-annually and/or reconsidering event strategy
  - Fear of leaning too hard on small donor base
- Lack of Corporate/Local Business area support is a missed opportunity. Need board and/or executive help creating connections
- SCS fundraising success dependent on expanding donor base