



**ODYSSEY CHARTER SCHOOL RESPONSE
INITIAL CHARTER SCHOOL ACCOUNTABILITY COMMITTEE
FORMAL REVIEW REPORT**

Please allow this report to act as the response of Odyssey Charter School (“OCS”) to the Initial Report of the Charter School Accountability Committee (“CSAC”), dated May 31, 2019.

In addition to the responses below to questions posed by CSAC, OCS submits a more formal legal analysis on one issue the board considers of primary importance: the alleged conflict of interest in having a majority of members from the same organization on the OCS Board.

It is OCS’s position that the bylaw provision that requires a majority of the OCS Board to be appointed by the local AHEPA family does not create an inherent conflict of interest. In its May 15, 2019 notification letter, on the other hand, the Delaware Department of Education (“DOE”) stated that there is a “conflict of interest when a majority of the board belongs to the same fraternal organization.” In support of its position, OCS respectfully submits the attached letter from E. Norman Veasey, former Chief Justice of the Delaware Supreme Court (see Attachment 1.)

OCS submitted its plan to the DOE on May 1, 2019, and a supplement to that plan on May 28, 2019, both of which, OCS believes, adequately address the conflict of interest and gender equality issues raised by the DOE. OCS remains committed to implementing that plan, if it is agreeable to the DOE.

We now proceed to answering the 14 enumerated comments and questions set forth in the above-mentioned initial CSAC report, and have included a 15th response based on a request from Mr. Leroy Travers, Lead Education Associate at the DOE’s Charter School Office.

1. A complete breakdown of the expenditures and encumbrances related to the allocations of funds to Ithaka to include expenditures prior to board action and following board action. This will also include a narrative of the types of expenses that are expended for other tenants (e.g., AAA). Provide a breakdown of where this money originated. Include invoice copies.

a) Of the \$108,000 that is being alleged as spent on Ithaka, the OCS business office has identified a total of \$91,487.69 spent between May 2017 and June 2018 to cultivate Ithaka Early Learning Center as a potential OCS tenant. These expenditures occurred with several vendors as presented in Attachment 2 (summary and detail). This amount was being charged against the \$100,000 allocation set for the development of a new tenant. Odyssey consulted with its legal counsel, Saul Ewing Arnstein & Lehr, and its financial consultant, Karen Thorpe, to ensure the appropriateness of those expenditures. The



breakdown of expenditures before and after the August 2017 board meeting is presented below:

Timing	Expenditures	% of Total
Before August 16, 2017 Board Meeting	\$4,762.36	5.21%
After August 16, 2017 Board Meeting	\$86,725.33	94.79%
Total	\$91,487.69	100.00%

Regarding the additional \$8,000, OCS has not spent this balance, as discussed below in Odyssey's response to CSAC's second request of its initial report. In summary, to the best of the school's knowledge, it has incurred, to date, some \$91,500 of the \$108,000 alleged expenditures.

- b) The cultivation of Academia Antonia Alonso as a campus tenant occurred during the latter part of 2015, and the first semester of 2016, when the school was considering a move from the Community Education Building (CEB), for which it submitted a major modification to the DOE in January 2016 and which was approved in April 2016.

As part of the tenant cultivation process, Odyssey offered that La Academia pay, during its first year of operations on the campus, only for space actually used by the school instead of having to pay for the full building square footage. The school fit out and paid for 40,000 square feet instead of 60,000 square feet of space, generating a savings of \$200,000 for La Academia, at the initial rate of \$10 per square foot, a rate considerably below the prevailing lease market rates at the time. This offer, in the spirit of a campus partnership, was because La Academia did not have the enrollment revenue to support payment on the additional 20,000 square feet, and that it needed to allocate its disposable cash flow to retrofit the needed space to re-open the school in September 2016. Please see Attachment 3 for a copy of the executed lease with La Academia. In addition, Odyssey contributed \$100,000 to the retrofit efforts of OCS' building 26 La Academia now occupies, to cover the cost of replacing a boiler, and other related building 26 fit-out expenditures. See Attachment 4 for the voucher documentation regarding the OCS check issued to La Academia.

In summary, Odyssey contributed a total of \$300,000 to the cultivation of Academia Antonia Alonso, both in the form of funds to be used in their fit-out efforts, and by foregoing rental income on 20,000 square feet of building 26, which would allow the latter to continue growing in future years. For the past two years La Academia has been paying rent on the full square footage for the building.

- c) Regarding the origination of the funds spent with the cultivation of Academia Antonia Alonso, the \$100,000 that was contributed to the school's fit-out efforts was based on



insurance proceeds received as part of damages incurred in buildings 21 and 26. This is referenced in Exhibit B of the lease agreement with La Academia (see Attachment 3).

2. A complete breakdown of expenditures made from insurance proceeds related to the damage to building 27. Include invoice copies.

Please see Attachment 5 for materials presented to PIC regarding this matter showing amounts to be reimbursed and correspondence specifying purpose and timing of spend out. Attachment 6 presents how the proceeds were expended with Chatham Bay Construction for the initial, partial retrofit of the building's 1st floor, targeting a potential early learning center tenant. The total expenditure of \$155,783.00 was disbursed in two installments – one for \$116,013.00 and another for \$39,770.00.

The total insurance amount received, \$164,691.94 (see Attachment 7) and the amount of \$155,783.00 expended on the project (as per Attachment 6), left an insurance proceeds balance of \$8,908.94 available to be spent on the building (see Attachment 8). The OCS business office had allocated this amount to cover a partial payment of a Tetra Tech invoice of \$22,600.00 submitted for the early learning design of the first floor of the building (see Attachment 9). These funds were never disbursed, and thus the full invoice is still pending. At this time, OCS considers this an Ithaka liability although the original invoice was issued to OCS.

3. A confirmation as well as documentation of who developed the scope of work for the fit out of building 27 and oversaw the project.

Messrs. Dandolos and Stoeckicht developed the scope of the fit-out work with the assistance of an early learning consultant, Jennifer Azzariti, and with volunteer support of Laura Morris, a master teacher at the UD Laboratory Pre-School. They also shared oversight of different aspects of the project.

4. Additional detail on the board action related to the expenditure of funds to Ithaka. In addition, any specifics related to board action on the use of those funds, including the vote to renew the contract of the consultant (Mr. Stoeckicht).

At the OCS Board meeting held on August 16, 2017 (see Attachment 10), the Board discussed and voted on an extension of a consulting contract for Mr. Stoeckicht to work “with investors, Early Childhood Education Center and Karen Thorpe” (see Attachment 11.) The motion to extend Mr. Stoeckicht’s contract was made by Michael Kirifides, seconded by Michael Klezaras, and those that voted in favor were Dimitri Dandolos, Elias Rigas, and Tami Soltow. No Board member present opposed the motion. As set forth above, the amount expended in accordance with Mr. Stoeckicht’s contract to support Ithaka totaled \$58,788.27.



At the OCS Board meeting held on September 20, 2017 (see Attachment 12), the Board discussed and voted on an Early Learning Center Consultant’s Contract for Jennifer Azzariti for September through June (see Attachment 13.) The motion to “approve consulting contract as submitted for Project Consultation” was made by Joe Wolcott, seconded by Abigail LeGrow, and those that voted in favor were Laura Thompson, Dimitri Dandolos, Michael Klezaras, Elias Rigas, Michael Kirifides, and Tami Soltow. No Board member present opposed the motion. As set forth above, the amount expended in accordance with Ms. Azzariti’s contract to support Ithaka totaled \$2,887.50 (see Attachment 2.)

5. Clarification on whether the school was looking to establish an OCS early learning center or to establish a tenant.

As has been discussed before, OCS attempted to place various tenants in Building 27. The bond documents require that any tenant be a 501(c)(3) entity and engaged in the provision of educational or related services. OCS had various conversations with charter schools and at least one State agency. However, none of those conversations bore fruit. Thereafter, OCS began having internal conversations about the possibility of having an early learning center in Building 27. Messrs. Dandolos and Stoekicht discussed at length two scenarios, involving legal counsel, and held discussions with the then-Operations Director at Eastside Charter that had been running a small early learning center program at their school. This was done to best inform the path forward to be taken with the early learning center project. The final decision, reflecting the above inputs, and those from legal counsel, was to establish a separate 501(c)(3) non-profit, independent of OCS, and that would become a school tenant once operational (see Attachment 10 – minutes of August 2017 Board meeting describing the formation of a non-profit separate from OCS.)

6. Documentation of meetings with the OCSEA including dates and numbers of attendees.

After the formation of the OCSEA, Mr. Wolcott, as President of the OCS Board, and Ms. Manley, as President of the OCSEA, met at the Starbucks in Powder Mill Square on the following dates: January 14, 2019, February 19, 2019, March 13, 2019, and April 16, 2019. In addition, Mr. Wolcott and Ms. Manley met on June 6, 2019 in Building 23 at OCS, with Krista Liss-Stoume, an OCS teacher, and Ms. Sandra Johnson, an OCS parent.

7. Provide a narrative on the current relationship between Odyssey and Ithaka including board members and staff members.

As previously discussed, there has been minimal direct engagement of Odyssey board and staff members with Ithaka since July 2018. The development of Ithaka has stopped, and has been a “dormant” organization since the spring of 2018, when a decision was made to postpone its possible opening into 2019, which would be dependent on any fundraising that would permit the completion of the fit-out and the hiring of start-up staff. Mr. Dandolos has



conducted most of these fundraising efforts on a volunteer basis, as part of the broader support from AHEPA National for campus initiatives. This was reflected in the Gala held on February 2, 2019.¹

8. A plan to repay funds from Ithaka to OCS.

As discussed at various OCS Board meetings, including, but not limited to, the meeting held in June of 2017, the intent at the beginning was for Ithaka to reimburse OCS for the funds expended, once Ithaka was operational. Although no formal loan documentation was created, Ithaka has signed a promissory note of \$91,487.69 for the benefit of OCS (see Attachment 14.)

9. A plan to repair the relationship between the board and OCS staff.

The challenges in the journey to rebuild trust are many, and the process will take time to complete. Key elements to successfully rebuild and maintain trust are consistency, clear communication and willingness to tackle challenging questions. As part of this journey, the current OCS Board fully intends to implement the following actions with the new 2020 school year:

- Induce “challenge stress” – a shared goal for board and teachers to work toward together with clear milestones and measurable objectives, e.g. a joint Committee looking into school safety issues, preparedness and communication gun violence.
- Joint board-teachers professional development/collaboration events around creating a new Strategic Plan for the school. Teachers would be involved in the new Strategic Planning process, truly participating in informing the new way forward for OCS.
- New open-door policy: To enhance the current open-door policies of the Head of School and the Campus Operations Officer, at least one board member, and/or the board president plus school co-leadership, will host a weekly ‘open door’ session for small group faculty meetings. This new level of intimacy will help build trust and teamwork between teachers and the board.

In addition, Board members will commit to attend, as available, professional development and in-service days as well as other faculty and department meetings. Board members will also commit to being more visible on campus, including visiting classrooms during the school day and attending social events before, during, and after school.

¹ Although there appears to be a misapprehension regarding AHEPA’s role in Ithaka, AHEPA does not have any financial interest in the non-profit. AHEPA does not own or operate Ithaka. Instead, as a “sponsor,” AHEPA simply provides fundraising and other volunteer supports to the campus, which includes Ithaka.



Finally, as all relationships have multiple parties it is important for the teachers and staff to be part of board related activities and committees. The board has routinely reached out to the OCS community, teachers, and staff, to participate in such activities and will further cultivate these relationships as well.

10. A narrative on the current relationship between OCS and the former board president including relationship with Ithaka.

The relationship between Odyssey and Ithaka has been discussed in (7) above. Regarding the relationship with Mr. Dandolos, he continues to support the school as a volunteer in the following key areas:

- Fundraising – as he cultivates and tours potential donors for both Odyssey and Ithaka.
- Partnerships – the on-going development of Greek programmatic partnerships at the local, national and international levels.

11. Documentation of the current student wait-list size.

The current size of the school’s student waitlist is presented below, by grade. It is important to note that this waitlist is a “fluid” document that could change considerably prior to the finalization of the annual Unit Count process in September.

Quick Search:

**School Choice Applications
2019/2020**

Grade	Active	W/D	Total
KN	<u>511</u>	<u>185</u>	<u>696</u>
01	<u>186</u>	<u>36</u>	<u>222</u>
02	<u>173</u>	<u>20</u>	<u>193</u>
03	<u>178</u>	<u>17</u>	<u>195</u>
04	<u>138</u>	<u>19</u>	<u>157</u>
05	<u>153</u>	<u>15</u>	<u>168</u>
06	<u>219</u>	<u>96</u>	<u>315</u>
07	<u>126</u>	<u>29</u>	<u>155</u>
08	<u>70</u>	<u>11</u>	<u>81</u>
09	<u>136</u>	<u>66</u>	<u>202</u>
10	<u>43</u>	<u>4</u>	<u>47</u>
11	<u>27</u>	<u>7</u>	<u>34</u>
12	<u>7</u>	<u>3</u>	<u>10</u>
Total:	<u>1,967</u>	<u>508</u>	<u>2,475</u>



12. An explanation of the vetting and analysis that was done before considering a loan to Ithaka. Who is the guarantor of the loan?

As has been discussed previously, there was no “loan” to Ithaka; in other words, OCS did not directly give any funds to Ithaka. Instead, decisions were made at the Board level to provide financial support to Ithaka in the spirit of tenant-development, and as a potential revenue source for OCS for years to come. As such, there is no “guarantor.” And although the agreement was, as discussed in Section 8 above, for Ithaka to reimburse Odyssey once it was up and running, it was not until the recent execution of a promissory note (see Section 8) that that agreement was memorialized in writing.

In addition, as part of the response to this question, we note that the question seems to emanate from a view that most or all of the dollars received by Odyssey are “public funds.” We respectfully disagree.

As the Department is aware, Odyssey receives significant rental income for the portions of its property not occupied by Odyssey’s charter school. In addition, there is no question that the use of funds to develop a potential educational tenant, to generate an additional source of potential rental income and to cultivate additional interest in Greek education is consistent with Odyssey’s mission and with its board’s fiduciary duties. If a third party owned the real estate and conducting the leasing activity for its own account, we believe no one would claim that the resulting revenues were, in any way, public, subject to regulatory reach.

Moreover, any suggestion that these dollars devoted to this potential venture were “misappropriated” is both inaccurate and unnecessarily prejudicial. First, all of the expended funds are accounted for as described above. Next, Odyssey placed the rental income in the State’s financial system, and the receipts and expenditures thus available for public review and inspection (in contrast to a private landlord.) It is fair, of course, for the Department to take a different view than Odyssey about the use of funds, but there is nothing in the charter school law that restricts the use of rental income and other revenue not received pursuant to the funding formulas in Chapter 5.

Against the above backdrop, the vetting analysis for expenditures to be incurred by Odyssey in the development of a tenant for building 27 was conducted via discussions with legal counsel, and with Karen Thorpe, the school’s financial consultant. To the best of the collective recollection of all involved in the process, the focus of the discussion, rightly or wrongly so, never focused on the extension of a loan to Ithaka, but on the landlord cultivation supports to be offered. In this case, with the awareness that this would be in support of developing an early learning tenant, the precaution was taken to (a) document the expenditures and (b) to allow for their reimbursement once the early learning center was operational. As such, processes were put into place to ensure maximum transparency on how the expenditures would be identified and recorded.



With support of legal counsel, the decision made regarding the structuring of the project, was (a) not to have the early learning center be a part of Odyssey, but have it set up as a separate 501(c)(3) non-profit (see Attachment 15 for its IRS determination letter). The parties did hold discussions on setting up a separate foundation but chose not to act upon it at that time.

Moving forward, the Board will definitely consider the formation of such a private 501(c)(3) entity to maintain the campus and will work with the Department, and other relevant stakeholders (e.g. the bond investors, legal counsel, etc.), to ensure that it is done correctly.

13. A description of the use of funds that are brought into the school via rental properties.

Odyssey leases building 26 on its campus to Academia Antonia Alonso and previously leased their St. Thomas property to a third party. The base rent (per square foot charge) and additional rent (common area maintenance) are collected in appropriation 98034 - Other Local Revenue. Expenses are paid from this appropriation for the rental properties and for operating expenses for Odyssey Charter.

The same appropriation is used to collect transportation revenue from Red Clay. The Food Service receipts from Academia are deposited in the food service appropriation 91100, and are solely used for Food Service initiatives.

14. A breakdown of the proceeds from the gala.

As of May 30, 2019, the Gala proceeds and commitments totaled \$168,000 of which \$73,350 were contributed this year, with the expectation that the balance will be received in 2020 and 2021. Of the total fundraised at the Gala, \$148,000 (88%) was or will be donated to Odyssey and \$20,000 was donated to Ithaka.

A breakdown of the total Gala-related donations received by Odyssey from AHEPA and other individual contributions, excluding the name of individual donors, is presented in Attachment 16. As noted, the total received to date is \$52,620.70 of which \$45,000 came directly from AHEPA Chapter 95. As discussed at the first CSAC hearing, this total already exceeds the Odyssey direct expenditures with the Gala event, as per the \$11,686.50 Pti estimate (see Attachment 17), most of which went to a school video promoting its Greek program, the primary interest of the Gala's national invitees.

15. Correspondence with development consultant regarding job description

During the initial CSAC meeting on May 28, Mr. Travers indicated that a certain invoice from OCS's development consultant, Lee E. Daney, demonstrated that the former OCS board president played a role in the development of a job description for a Director of Development.



The specific entry is from July 31, 2018, is for 1 hour, and says, in full, “Many e-mails to Renee B, DD, Joe W. and Michael P. Identify and e-mail appropriate job descriptions for Director of Development positions. Related activities.” The second portion of the bulk entry refers to an e-mail that Mr. Daney sent to Mr. Wolcott upon a request for a model job description for a Director of Development position, which e-mail is attached (see Attachment 18.) Mr. Wolcott did not respond to Mr. Daney nor was the former OCS board president copied on the e-mail. In addition, the model job descriptions provided by Mr. Daney were not used in the creation of the final job description.

In conclusion, OCS and its board understand that mistakes were made over the past several years. All large organizations take missteps, whether they are public schools, private for-profit companies, or multi-national businesses. OCS also recognizes that its governance and spending practices could have been managed better. However, we believe that this is very different from intentionally acting inappropriately or willfully violating the charter school statute.

Moving forward, the school has articulated a plan of action and we look forward to continuing discussions with the Department of Education on how to implement the best approach to ensure (a) that public resources are correctly accounted for and expended, and (b) that the school’s original vision and mission continue to be the driving force of this unique and successful school.