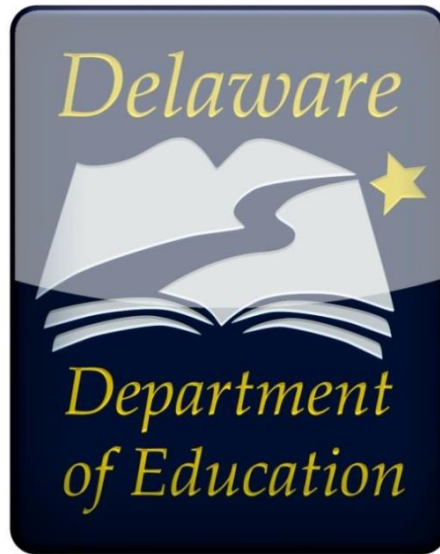


CHARTER SCHOOL ACCOUNTABILITY COMMITTEE

DELAWARE DEPARTMENT OF EDUCATION



First State Military Academy

**RENEWAL APPLICATION
FINAL REPORT**

CSAC Final Meeting: November 27, 2018
CSAC Final Report Published: December 5, 2018

By September 30, 2018, First State Military Academy Charter School applied to renew its charter. Consideration of this application is in accordance with the applicable provisions of 14 **Del. C.** Ch. 5, including § 514A, and 14 **DE Admin. Code** 275. Written renewal application guidance is provided by the Delaware Department of Education (DDOE) on its website. The renewal application template developed by DDOE is aligned to measures and targets within the Performance Framework, which outlines the academic, organizational and fiscal standards by which all Delaware charter schools are evaluated. The evaluation of the school's performance as measured by the Framework is a major component of the decision on the renewal application. The decision on the renewal application is based on a comprehensive review, guided, in part, by the following three questions:

1. Is the academic program a success?
2. Is the school financially viable?
3. Is the school organizationally sound?

This report serves as a summary of the strengths, areas of follow-up, and/or concerns identified by members of the Charter School Accountability Committee (CSAC) during their individual reviews of the charter applicant's renewal application, Performance Review Reports, Annual Reports and Performance Agreements and discussions during the CSAC meetings.

The following were in attendance at the Final Meeting of the CSAC on November 27, 2018:

Voting Committee Members of the Charter School Accountability Committee

- Chuck Longfellow, Chairperson of the Charter School Accountability Committee and Associate Secretary, Operations Support, DDOE
- Christine Alois, Deputy Secretary, Performance Support, DDOE
- Deb Hansen, Education Associate, Curriculum, Instruction & Professional Learning, DDOE
- Tracy Neugebauer, Education Associate, Exceptional Children, DDOE
- Chuck Taylor, Retired Head of School, Community Member
- Chandra Pitts, CEO, One Village Alliance, Community Member
- Brian Moore, Education Associate, School Climate and Discipline, DDOE
- Robert Grey, Education Associate, Educator Effectiveness, DDOE

Staff to the Committee (Non-voting)

- Catherine Hickey, Deputy Attorney General, Delaware Department of Justice, Counsel to the Committee
- Leroy Travers, Lead Education Associate, Charter School Office, DDOE
- John Carwell, Education Associate, Charter School Office, DDOE
- Brook Hughes, Education Associate, Financial Reform and Resource Management, DDOE
- Sheila Lawrence, Administrative Secretary, Charter School Office, DDOE
- Jennifer Roussell, Administrative Secretary, Operations Support, DDOE

Ex-Officio Members (Non-voting)

- Audrey Noble, Vice President, Delaware State Board of Education
- Kendall Massett, Executive Director, Delaware Charter School Network

Representatives of Charter School

- Patrick Gallucci, Commandant
- C. Scott Kidner, Board President
- Robert Wallace, Senior Marine Instructor
- Stacey Clark, Director of Instruction & Student Services
- James Berg, Board Treasurer
- Dorcell Spence, Accountant

Discussion

Mr. Longfellow stated that an initial public hearing was held on October 9, 2018, and the initial CSAC meeting was held on October 23, 2018. He added that the CSAC Initial Report was issued on November 1, 2018. The school submitted a timely response to the CSAC Initial Report by November 16, 2018.

Mr. Longfellow stated that the purpose of the CSAC Final Meeting was for the CSAC to continue its review of the Renewal Application, probe any areas of concern through a discussion with the applicant, and to issue a recommendation on the renewal application to the Secretary of Education. A final report would be issued by CSAC no later than December 5, 2018.

Mr. Longfellow stated that the CSAC identified the following areas of concern at the CSAC Initial Meeting and requested a response from the school. These were addressed in a timely manner by the school.

1. **Academic Performance**
 - Provide a plan for the steps the school will take to achieve the expected outcomes and growth for all students.
2. **Organizational Performance**
 - Provide a plan to complete all board and CBOC trainings.
 - Provide a plan for compliance with the Non-academic training requirements for staff members.
3. **Curriculum**
 - Provide a cyclical plan for curriculum review.
4. **Financial Performance**
 - Provide internal controls documentation for the school procedure for expenditures and purchasing.
 - Revise 100% budget projections and submit 80% budget projections.

Mr. Longfellow then asked if there were any comments with regard to the response of the initial CSAC report submitted by First State Military Academy.

Ms. Hansen stated that she visited First State Military Academy and discussed issues in relation to the curriculum with the school leadership. She thanked the leadership team and Ms. Clark for the development of instruments to track curriculum revisions and improvements.

Mr. Taylor added that he did not see a date identified for the board governance training that was requested by the committee. Ms. Massett noted that First State Military Academy did reach out to the Delaware Charter Schools Network and sought their assistance on this issue. She stated that the Delaware Alliance for Nonprofit Advancement (DANA) has not set a date for the training and the failure to provide a date was not the responsibility of the school but rather of DANA and the Delaware Charter School Network.

Ms. Pitts asked if the Committee could hear from the school. Mr. Kidner addressed Mr. Taylor's question stating that he agreed that there was still some issues with regards to board governance training for the Board Members. However, since the initial meeting, some members have received their Board Financial Responsibility training. They have requested a date from the Delaware Charter Schools Network and DANA and are actively working to secure a date for Board Governance Training. Mr. Kidner stated that they are in the process of adjusting their by-laws to state that all board members are required to receive board governance training within one year of becoming a member. He added that if they do not completed the training within the allotted time period, they will be removed as a board member.

Mr. Taylor reiterated that he would like the school to provide the CSAC with a date for completion of the board governance training, noting that other schools were required to set a completion date and that it was only equitable that a date be set for FSMA.

Mr. Longfellow asked if there any further questions.

Dr. Noble commented on the financial performance of First State Military Academy in relation to the school's debt-to-asset ratio. She said for three years they failed to meet standard. This issue was not raised in the initial CSAC report and First State Military Academy was not asked to submit a plan. Dr. Noble stated that capping enrollment could be detrimental to the improvement of their debt to asset ratio.

Mr. Kidner asked Mr. Gallucci to explain the issue. Mr. Gallucci noted that the school's debt-to-asset ratio has improved each year. He stated that the school's federal loan from the U.S. Department of Agriculture (USDA) was necessary to start the school, and they were aware that this was a significant amount of debt.

Dr. Noble asked if there was a goal for debt repayment. Mr. Kidner stated that he could not provide a specific date, but he felt confident in the school's financial situation given that they consistently improved their position by meeting payroll and other debt obligations. Mr. Kidner stated that their goal is to achieve a "Meet Standard" rating on the debt-to-asset ratio measure of the financial performance framework, however, it is a significant sum, and they will continue to make improvements.

Mr. Berg noted that the bulk of the debt was the USDA loan and it was needed to set up the school. He stated that it would be difficult to improve the assets of the school without incurring additional debt, but that the school would strive to continue to improve the ratio. Mr. Taylor commented that there was a fine between line on debts and assets. This can be improved, he added, by striving to create and maintain a positive cash flow. The cash flow and carry-over has improved every year.

Dr. Noble reiterated that her concern was that this could become a problem in the future. Mr. Longfellow stated that, looking at the total picture, cash flow and carryover are the primary

factors to consider and that the school has continued to improve in these areas. Mr. Taylor agreed and reiterated that substantial cash reserves would help First State Military Academy to cover its debt repayments and other costs such as payroll.

Mr. Longfellow stated that First State Military Academy had provided an adequate explanation for the reasons behind their high-debt to asset ratio.

Mr. Moore observed that there was a “bubble” within their loan repayment schedule in the year 2020. Mr. Gallucci stated that the school has improved their set-asides each year and that this would help account for the “bubble” at that time. He felt that this was a significant accomplishment given that FSMA was not afforded start-up money and that the school absorbed start-up costs into its operating budget. Mr. Longfellow then asked for any other comments or questions on First State Military Academy’s submission.

Mr. Longfellow stated that the committee received the 100% and the 80% budget projections and thanked the school for its submission. Mr. Longfellow urged First State Military Academy to place a special emphasis on the 80% projections, just in case enrollment declined. He commented that it is an important tool to determine ‘what if’ scenarios and to ensure prudent financial planning. Mr. Longfellow recommended a yearly meeting to look at the 80% financial projections.

Mr. Longfellow also noted that the school submitted internal controls documentation for purchasing and expenditure procedures. Mr. Longfellow asked for more clarity within the document on which staff members could incur a financial obligation on behalf of First State Military Academy, such as entering into a contract or initiating a purchase. He also suggested that the document should have language that states that administrative pre-approval is necessary before any purchases. Mr. Longfellow asked for any further comments or questions. There were no further comments or questions from members of the committee.

Conclusion

Mr. Longfellow noted that the school requested a minor charter modification to decrease its authorized enrollment by 5%. He noted that the Secretary of Education will issue her decision on that modification request.

Mr. Longfellow asked if there were a motion to recommend renewal of the charter of First State Military Academy for a 5 year term beginning on July 1, 2019 with the following condition:

- By December 7, 2018, submit to the Charter School Office the date the board has set to complete its required board governance training.

The motion was made and seconded to recommend approval with the condition and was carried unanimously.

Mr. Longfellow reminded the applicant that the CSAC's recommendation was just that: a recommendation to the Secretary of Education on the renewal application.

Next Steps:

- On or before December 5, 2018, the CSAC will issue a Final Report, which will include its recommendation on the Renewal Application.
- A second public hearing will be held on December 10, 2018; 2nd Floor Cabinet Room, Townsend Building, Dover.
- The public comment period ends on December 14, 2018.
- The Secretary of Education will announce her decision at the December 20, 2018 State Board of Education meeting and seek the assent of the State Board as necessary.