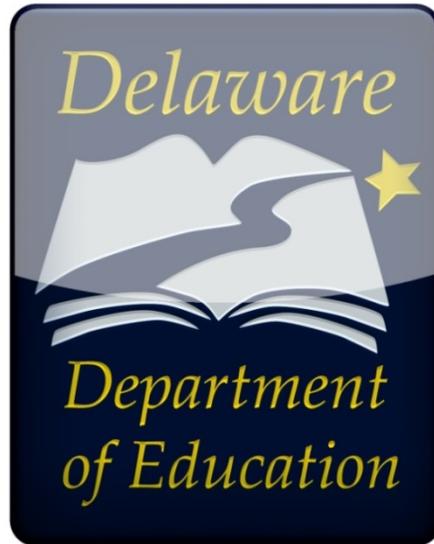


CHARTER SCHOOL ACCOUNTABILITY COMMITTEE

DELAWARE DEPARTMENT OF EDUCATION



Delaware Design-Lab High School

MINOR MODIFICATION APPLICATION INITIAL REPORT

CSAC Initial Meeting: May 22, 2017
CSAC Initial Report Published: May 26, 2017

On April 21, 2017, Delaware Design-Lab High School submitted an application for a minor modification of its charter.

The following were in attendance at the Initial Meeting of the CSAC on May 22, 2017:

Voting Committee Members of the Charter School Accountability Committee

- David Blowman, Chairperson of the Charter School Accountability Committee and Associate Secretary, Financial Management and Operations, DDOE
- Karen Field Rogers, Deputy Secretary, DDOE
- Barbara Mazza, Education Associate, Exceptional Children Resources, DDOE
- Chuck Taylor, Head of School, Providence Creek Academy
- Maria Stecker, Education Associate, Educator Evaluation, Educator Effectiveness & Talent Management Workgroup

Non-voting Members of the Charter School Accountability Committee

- Kendall Massett, Executive Director, Delaware Charter School Network

Staff to the Committee (Non-voting)

- Catherine Hickey, Deputy Attorney General, Counsel to the Committee
- Denise Stouffer, 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

Representatives of Delaware Design-Lab High School

- Paul Miller, Board Chair
- Rebecca Collins, Board Vice Chair
- Joseph Mock, Principal/Head of School
- Ashley Bystnicky, Special Education Coordinator
- Michelle J. Lambert, CPA, Business Consultant (via telephone)

Additional Attendees Noted

- Cristina Alvarez, Ed.D., Co-Founder, Delaware Design-Lab High School
- Martin Rayala, Ph.D., Co-Founder, Delaware Design-Lab High School
- Margie Lopez Waite, Head of School, Las Americas Aspira Academy
- Tracy Neugebauer, Education Associate, Exception Children Resources, DDOE

Discussion

Ms. Collins stated that the Delaware Design-Lab High School (“DDLHS”) Board of Directors submitted an application for a minor modification to bring the school’s charter into alignment with the way the school is currently operated. She added that many of the requests are administrative and technical in nature. Ms. Collins also stated that it had come to the Board’s attention that there were some discrepancies and misunderstandings regarding the Board’s relationship with Design-Lab Schools LLC, the school’s educational services vendor. Additionally, Ms. Collins stated that the school has had administrative changes over the past year and the Board wanted to make sure that the charter accurately reflects Joseph Mock as the current head of school and the way the school is currently being operated.

Mr. Blowman asked the school to describe the nature of the technical and administrative misalignments between the approved charter and current operations and the school’s plans to clarify and resolve the misalignments. Ms. Collins stated that the school’s founders, Design-Lab Schools LLC, provided integral services to the school. She added that over the course of the past year there have been major changes in how the school has been running. Mr. Miller explained that the school has shifted from its founding administrative structure with Design-Lab Schools LLC to an operational administrative structure that reflects changes in roles and responsibilities as the school has evolved. Ms. Collins noted that pages 6 and 7 of the modification application lists the services the founding group provided as well as payments they have received to date. She added that there was some miscommunication regarding a contract the Board entered into with Design-Lab Schools LLC. Ms. Collins stated that the Board has taken a legal position in relation to that contract that is probably not relevant to the modification discussion but the Board’s position is footnoted on page 7. Ms. Collins noted that the Board’s intent was to clarify the services provided and payments made with the Board’s consent.

Mr. Blowman asked the school to summarize the proposed governance and organizational structure – the relationships between the Board, Head of School and vendor – moving forward. Ms. Collins referenced Exhibit 2 of the modification application (Organizational Chart). She noted that the Board does not currently have a relationship with Design-Lab Schools LLC in the current organizational structure. Ms. Collins added that the Board recognizes that the approved charter calls for design thinking processes which is the basis for the school. She explained that the school will use the State’s request for proposal (RFP) process to identify a high quality, cost-effective vendors to ensure that design thinking remains as the basis of the school. Ms. Collins stated that Design-Lab Schools LLC may or may not be the vendor the Board will select through the RFP process. She added that the selected vendor would report to the Head of School and/or the Board.

Mr. Blowman stated that educational service providers may oftentimes play a prominent role, operationally and financially, during the initial years of a charter school. He asked the school to describe how the school’s back office functions will look as the school transitions to a more traditional operational structure. Ms. Collins stated that the school is fully equipped to handle its back office functions. She added that Michelle Lambert handles the school’s accounting and

Jim Taylor at Saul Ewing provides legal counsel. Ms. Collins added that the Board has been structured into various committees and she provided handouts listing the Board's standing committees and fiscal year Board calendar. She also noted that the Board committees meet bi-monthly and report back to the Board. Ms. Collins added that the Board will hire an additional administrator to provide extra academic support. Ms. Collins noted the support the Board has received from the Delaware Charter School Network and the Department of Education. She stated that the Board can provide a list of existing and proposed policies.

Mr. Blowman stated that the scale of the proposed changes warrants a review of the budget. He asked the school to discuss the budget consequences relative to the modification. Ms. Collins stated the modification will have a positive effect on the budget. She noted that the school's current enrollment is slightly lower than projected enrollment but the Board anticipates reduced expenditures as a result of identifying an educational services provider through the RFP process. Ms. Collins stated that the Board does not anticipate any other major changes to the budget.

Mr. Blowman noted that the school is currently under 80% of the school's authorized enrollment (71%) and has submitted a revised budget that is consistent with current enrollment. He asked the school to describe any changes to the budget based on current projected revenues and the assumptions behind those changes. Ms. Lambert stated that the Board remained conservative and based the budget on the April 1st enrollment count (325) and recognized that increasing enrollment provides some upside. She noted that the school is showing financial viability based on the April 1st enrollment count. Ms. Lambert stated that staffing costs were conservatively increased to absorb the newly enrolled students. She added that the school revised the school schedule to maximize existing staff where possible for the increased enrollment.

Ms. Lambert noted that other expenses such as capital expenses can be deferred until additional revenue becomes available. Mr. Blowman asked Ms. Lambert to explain the budget lines that might be deferred and the total amount. Ms. Lambert explained that the amounts deferred include capital costs (renovations) and additional building space. She added that these items are not included in the budget at all; under the "Renovation and Construction" budget line there is \$0 budgeted. Ms. Lambert explained that the school would like to do some renovations and additional construction but these costs are deferred pending increased revenue and potential lines of credit. She added that the school was able to complete major renovations and construction this year and defer any additional costs beyond FY18. Mr. Blowman asked the school to clarify that the deferred expenses are not for payments for services that have already been rendered. Ms. Collins stated that the current facility can absorb the increased enrollment at no additional costs. She also stated that the Board is interested in building a gymnasium but it will not occur until the school can afford it. Ms. Collins confirmed that deferred expenses are not for payments for services that have already been rendered.

Mr. Blowman asked the school if there have been any reductions in instructional expenses. Ms. Collins stated that instructional costs have been increased appropriately to absorb the increased enrollment and the Board hopes to provide a slight increase to salaries.

Mr. Blowman asked the school to describe its student recruitment efforts. Ms. Collins provided a handout titled "Design-Lab High Recruitment/Outreach." She stated that as of May 23, 2017, 339 students had enrolled for school year 2017-18 which is 41 students short of the 80% enrollment target. Ms. Collins noted that the handout lists monthly events, activities and outreach. She also noted that the school did a postcard mailing and provided a copy as a handout. Ms. Collins stated that 10 additional students have enrolled in the past 20 days in response to the mailing and the additional enrollments are expected. She also stated that the school will have a presence at a number of upcoming community events and begin a billboard campaign pending additional funding. Ms. Collins stated that the school continues to conduct tours, outreach to community organizations and special events. She noted that last week, the school hosted its "Redesign Day" which received positive press through Town Square Delaware. Ms. Collins also stated that the Delaware Charter Schools Network will include an enrollment advertisement on its website. She stated that the school has plans for dual enrollments and strategic initiatives that will be rolled out after FY18. Ms. Collins expressed confidence that the school will meet its 80% enrollment target but if not, the FY18 budget demonstrates financial viability based on the school's current enrollment.

Mr. Taylor asked the school to provide a description of the expenses included under the budget line "Other Professional Services" in the FY17 budget. Ms. Collins stated that the budget line includes amounts paid to Design-Lab Schools LLC and Michelle Lambert's accounting firm. Ms. Lambert also noted that this budget line includes payments to the audit firm, Maillie LLP. Ms. Collins stated that the total amount included under this budget line is \$452,622.

Mr. Taylor asked the school to provide a description of the expenses included under the budget line "Consultants Fees" in the FY17 budget. Ms. Collins stated that the \$50,000 budget includes expenses for special education consultants who assisted with the special education audit. Ms. Collins also noted that the \$50,000 is the amount budgeted, not actual expenses. Mr. Taylor noted that he had not received the school's FY18 budget. Ms. Collins stated that the school submitted its FY18 budget separate from the modification application. A copy of the FY18 budget was provided as a handout. Ms. Stouffer noted that the school submitted its FY18 budget as part of a separate process and it will be added to the record. Ms. Collins stated that a special education audit was conducted this year which revealed that substantial work was needed. She also stated that Dr. Michelle Marinucci was hired as a consultant to ensure that the school's special education program was highly effective. Ms. Collins explained that Dr. Marinucci's services comprised a portion of that budget but this expense is not expected for next year. Mr. Mock noted that related services are included under the "Consulting Fees" budget line.

Ms. Mazza noted that the Department's special education audit in January 2017 found that 64 out of 67 files were not compliant and there was an administrative complaint which found the school non-compliant. Ms. Mazza also stated that the audit findings were no reflection on Ms. Bystnicky who joined the school following the audit and she has been working diligently to make the corrections. She also noted that her colleague, Jill Scannell, has been working closely with the school providing on-site professional development. Ms. Mazza asked the school if sufficient time has been allotted in Ms. Bystnicky's schedule to maintain compliance after she has

completed the corrections. Mr. Mock confirmed that sufficient time has been allocated in Ms. Bystnicky's schedule. Mr. Taylor asked the school to describe its action steps to date. Ms. Collins distributed a copy of the school's 2016-17 Compliance Monitoring Corrective Actions report. Ms. Bystnicky stated that since the school received the report on February 23, 2017, every special education file has been reviewed for compliance. She also stated that she has received professional development and has worked closely with the Dr. Marinucci and has received support from Ms. Scannell and Mr. Mock. Ms. Bystnicky stated that the work has been an ongoing process. She explained that the 2016-17 Compliance Monitoring Corrective Actions report reflects all of the LEA-level corrections the school has completed to date. Ms. Bystnicky stated that student corrections are ongoing. Ms. Mazza reiterated the importance of allowing Ms. Bystnicky to devote sufficient time to maintain the great work that she is already doing. Mr. Mock commented that Ms. Bystnicky will be working throughout the summer to create policies and procedures and noted that her work on the corrections has exceeded his expectations.

Ms. Stouffer asked about the school's projected end of year balance and potentially securing a line of credit, if needed. Ms. Collins stated that the school has submitted a small business line of credit application for \$50,000 to WSFS Bank and it is currently being reviewed by the underwriting department. She added that the Board does not expect to draw on the line of credit but it will be available, if needed.

Ms. Stouffer asked the school to discuss the timeline for its RFP process to identify an educational services provider. Ms. Collins stated that the Board will move ahead with the RFP process as soon as possible.

Ms. Stouffer asked the school to highlight any design thinking related activities (e.g. school collaborations, professional development, etc.) that have occurred since March. Ms. Collins stated that the curriculum is taught through a design thinking lens. She added that there are specific design thinking projects such as the recent "Redesign Day" event where students went through the design thinking process and created murals and reconfigured the classrooms for more efficient learning. Mr. Mock added that the school hosted a "Tech Ed" summit which provided opportunities for students to work with various professionals on coding for drones, flying the drones and designing different projects. He added that students also attended a schoolwide leadership program at the University of Delaware related to design thinking.

Mr. Blowman asked the school to describe how the design thinking component is addressed in its teacher recruitment processes and indicate how the Department could support their efforts. Mr. Mock stated that the school's interview process provides prospective teachers with an overview of how the design thinking process is incorporated across the curriculum to promote critical thinking. Ms. Massett suggested that the school consider ways the Department's Teacher Leader Effectiveness Branch (TLEB) could help support their teacher recruitment efforts so that prospective applicants could better understand the unique characteristics of the educational program. She asked the school to describe how they inform prospective applicants about design thinking prior to interviews. Mr. Mock stated that the school's website and social media provides information about design thinking. He added that the website is being updated and will be

relaunched in the next month. Mr. Mock also stated that the school is working with the Delaware Academy of School Leadership (DASL) at the University of Delaware which trains effective leaders in design thinking. He added that the school will further its collaboration with DASL next school year to connect the Delaware Performance Appraisal System (DPAS) classroom expectations with design thinking. Ms. Stecker noted that the TLEB has a teacher recruitment and selection toolkit available on its website that was developed with the Mid-Atlantic Comprehensive Center. She explained that the school could utilize this toolkit and supplement it with any core competencies, skills and characteristics that comprise the profile of the school's ideal teacher. Ms. Stecker offered to provide technical assistance to assist the school with creating a process with performance task rubrics that align with the core competencies and characteristics the school is looking for. Ms. Collins stated that the Design-Lab team would welcome any support and expertise the Department has to offer.

Ms. Stecker asked the Board to describe its process for supporting and evaluating the principal/head of school. Ms. Collins stated that the Board has encouraged Mr. Mock to find mentors. She noted that Las Americas Aspira Academy's head of school, Margie Waite Lopez, is providing support. Ms. Collins also stated that Mr. Mock has also established mentorship relationships with other local and national education leaders. Regarding the formal evaluation process, Ms. Collins stated that the Board plans to work with DASL for training on DPAS II to effectively evaluate Mr. Mock. She also stated that the Board will explore additional internal evaluation tools that are aligned to a strategic plan to ensure that the school is meeting quarterly goals. Ms. Collins referenced the "Fiscal Year Board Calendar" handout which includes quarterly assessment of the school leader.

Ms. Stecker asked the school to describe any intervention plans to support the school leader if the quarterly reviews identify areas of potential concern or areas that require support. Mr. Mock stated that he met with a DASL mentor last week who is preparing a proposal for teacher coaching and that proposal will include three hours of monthly leadership support. Ms. Collins stated that while tools are being developed, she will not hesitate to reach out to Ms. Massett for suggestions on prospective supports or interventions for any areas which fall outside of the Board's expertise. Ms. Mazza asked the school if the quarterly goals for the school leader will include compliance of special education records. Ms. Collins agreed. Mr. Mock stated that he provides weekly Board reports which include updates on special education compliance. He also stated that the Board will establish an oversight committee which will conduct periodic audits of various policies and systems. Ms. Collins noted that the Board has implemented Providence Creek Academy's model for accountability and has set up quarterly meetings with rotating members of the Board to randomly select a policy to audit for compliance. Ms. Massett noted that the Delaware Charter Schools Network endorses this accountability model.

Ms. Field Rogers asked the school to clarify where legal fees and audit costs are captured in the next year's budget. She noted that these costs are clearly identified in the FY17 budget but not clearly identified in the FY18 budget for comparison. Ms. Lambert stated that legal fees are budgeted under "Administrative and Operations Support: Other." Mr. Taylor noted that the legal fees should not be budgeted under "Management Company" since the school does not have a

management company. Ms. Lambert agreed that the legal fees could be captured under a different budget line.

Ms. Field Rogers asked the school if the audit is captured under "Accounting and Payroll." Ms. Lambert stated that the "Accounting and Payroll" budget line includes \$45,000 for her firm's services and the balance is for the audit. Ms. Field Rogers asked the school to describe the expenses included under the "Administrative and Operations Support" budget category of \$70,000. Ms. Lambert stated that the \$70,000 budget includes legal fees, association dues, travel and meeting costs. Mr. Blowman asked Ms. Lambert to clarify what is included in the \$35,000 budget line under "Management Company: Other." Ms. Lambert stated that the \$35,000 budget is for IT support services.

Mr. Blowman stated that the FY18 revenue projections do not appear to include any projected potential revenue streams beyond State and local funds. Ms. Lambert agreed. Mr. Taylor asked the school if the FY18 budget reflects any potential cuts in State funding. Ms. Collins stated that the budget assumes potential cuts in State funding.

Conclusion

Mr. Blowman asked the CSAC whether there were outstanding areas of concern or whether additional information was needed to inform its decision-making. The following was requested:

- Updated Revenue projections, budget sheets, and budget narrative reflecting the school's current enrollment figures;
- List of existing and proposed Board policies;
- Timeline for the RFP process to identify an educational services provider

Next Steps:

- The first of two public hearings will take place on June 5, 2017, in the 2nd Floor Cabinet Room of Townsend Building which is located at 401 Federal Street, Dover, Delaware, beginning at 5:00 p.m.
- The school's response to the Initial CSAC Report, if the school chooses to submit a response, is due by 3:00 p.m. on June 12, 2017.
- A Final CSAC Meeting will be held on June 26, 2017 at 1:00 p.m. in the 2nd Floor Cabinet Room of the Townsend Building, which is located at 401 Federal St., Dover, Delaware.
- A Final CSAC Report will be issued no later than June 30, 2017.
- A second and final public hearing will take place on July 10, 2017, in the 2nd Floor Auditorium of the Carvel State Office Building, which is located at 820 N. French St., Wilmington, Delaware, beginning at 5:00 p.m.
- The public comment period will close on July 14, 2017.
- The Secretary of Education will announce her decision on or before July 20, 2017.