

Summit Public Schools California Board Meeting May 18, 2020 Open Session Transcript

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Diane: But now that you're here, we're happy to call ourselves to order with the quorum and continue the conversation.

Male: [inaudible]

Diane: Great. Thanks Blake.

Andy: Second.

Diane: Great. Thanks, Andy. So we're called to order at 2:13\ . Let me just quickly take care of this business. Would someone like to approve the agenda?

Blake: So moved.

Diane: Thanks, Blake.

Diego: Second.

Diane: Thanks, Diego. We'll do a roll call vote. Blake?

Blake: Aye.

Diane: Bob?

Bob: Aye.

Diane: Diego?

Diego: Aye.

Diane: And Andy?

Andy: Aye.

Diane: Great. Next on our agenda is public comment. Valeria, do we have anyone from the public joining us?

Valeria: At the moment we don't have anyone from the public, and no one has emailed or sent an inquiry.

Diane: Thank you. So let's move on to our discussion of the Cares Act and the Paycheck Protection Program.

So, Bob, we were just giving some updates on the new guidance that has come forward on summarizing that. And so, yeah I think actually, Nnanna, maybe you were just summarizing and relating it back to the key points we had in our

conversation last time?

Nnanna:

Correct. just in response to the board's request that we continue to monitor the Small Business Administration's guidance about the PPP. Additional guidance came out end of last week, dealing with the Good Faith certification and providing a little clarity on what actions would be taken if it was determined by an entity that they actually had sources of liquidity, or didn't need the entire amount of proceeds that they requested.

For borrowers of less than \$2 million, the SBA has said that they will not look into the Good Faith certification. Borrowers greater than two million, such as Summit, they will do a review of the Good Faith certification. But, the updated guidance indicates that there is some flexibility beyond the announced safe harbors of access to liquidity and economic uncertainty. So there's a little more of a case by case analysis.

They also provided a little guidance about, if it's determined that borrowers do not need the entire amount of funds and the borrower returns the funds, the SBA has said that they will not open an inquiry into the good faith certification if that happens, but they've left open the door for borrowers that are doing things that are just clearly improper. They've said that they may not open an inquiry, but they can't speak for other federal agencies or state and local agencies.

So basically just providing a little more updates about the Good Faith certification, and questions about how it will be reviewed and what actions can be taken by the SBA if it is in fact reviewed.

Diane:

Then just a couple of other organizational updates. We did receive the funds on May 11th. Joyce has created a segregated account based on the board's input from our last meeting. And so they are in a segregated account where they will be kept and managed. Transfers will be made for approved PPP uses as required and in compliance with all the regulations and guidelines.

Then in addition to that, Joyce has created an agreement with CLA Partners governmental unit, so they our independent auditing firm to assist with the constant monitoring of the accounting and the loan forgiveness and the transaction. It's a contract for about \$5,000 but we think it is worth it to make sure that we have that constant guidance throughout to make sure we're doing everything right.

And then just the last thing I will add around this question of certifying the economic uncertainty. In the time since we last met, you all probably know that Gavin Newsom has released his May revised budget, and in that budget indicated at least a 10% cut for schools for next year, sort of across the board, which I think further bolsters our case as a nonprofit that's operating schools of our economic uncertainty. So we were anticipating that. But the last time we talked, it wasn't certain.

And now that it's certain, which makes me feel significantly more steady in my recommendation that we truly are facing economic hardship. He not only said that that would be for this coming year, but he anticipates for the next four years we're going to see significant cuts.

So the case that there is economic hardship seems to become clearer and clearer every day.

Let me pause there and see if folks have questions or thoughts or concerns, or what you all would like to talk about in the light of this news?

Blake: Well, I'm just glad we undertook the process we did, because you can pretty much check the box on all my personal concerns from a week and a half ago, because there was definitely a fair amount of saber rattling around using this notion of a criminal inquiry as a proxy for squeezing out potential bad actors. And then when it's out of your hands and it subjective, then boy, with the benefit of hindsight level of the prosecution, it can be concerning to say the least. So thank you for enduring my nervousness.

Diane: It's good. It's healthy. Anyone else have thoughts, questions, concerns?

Andy: I just wanted to say I, like Blake, am very appreciative that we have this process in place, and that you are being very careful about how how we manage this. I just think one thing to be very very aware of is that we exist in a remarkably political environment in which, very few things now are about facts, necessarily, that they're about agendas and emotions. And we should be very mindful of that in the context of how this unfolds.

And so I think continued, diligence and strong process will really, really be valuable and help us all.

Diane: Great, thanks Andy. Any thoughts Diego or Bob?

Bob: Well, I was pretty relaxed since Blake, you know, volunteered to go to jail on behalf of the board, I stopped worrying. [laughter]

Blake: Can I mute him? [laughter]

Diane: How about you, Diego?

Diego: I agree with Andy's assessment that this is... I felt very confident. I'm glad we set up this meeting. I felt confident from the beginning that we were going into this with the right intentions and following both of the letter of and the intent of the law. I'm very glad we've come back together, I feel even more confident.

What remains a low level of confidence is that someone who is a bad actor may try and use this against us at some point, without the facts on their side, but instead, just with -- they took money from a small Mom and Pop shop.

I'm sure DC Charters just went through something very similar last week, where a set of folks essentially came after charters and were trying to identify who took the money and shame folks there.

I wonder if there is some preparation we should do for if and when that happens on our side? And I wonder if there is a way to get ahead of that, which is the 10% cuts this year are going to be tough on everyone. And the position we have is every school, charter or traditional public school should have access to funding like this, because cuts like these are tragic in a time where we need to do more, not less.

So I wonder if there's some way to think about messaging like that. Anyways.

Diane: I think that's helpful, Diego. And it's been a while since we've gone through both cuts and deferrals, which have both been forecasted for something that we're

going to be dealing with. So I will definitely work with the team on thinking about that. What I wanted to say preliminarily is, School Districts do have access to capital when it comes to deferrals and cuts that we don't as a charter organization. And so maybe that's what we need to make clear is that they've always had access as districts to resources that we never had. And so this is maybe our version of those resources, that will create a bit of a level playing field. But we can get crisp and specific about that, for sure. I think that's important.

All right, so we as a team will continue to execute in the way we've laid out will continue to vigilantly monitor the guidance and how this evolves. I'm sure you have full confidence in Joyce and her team and how they will manage the finances of this.

And then right now, I think we're scheduled to reconvene in two weeks. Does that still sound like a good idea? I always love to see all of you, but I want to be mindful of your time.

Male: Is this a regular scheduled board meeting or this the bi weekly update?

Diane: This would be the bi-weekly update.

Male: I can only speak for myself. In the wake of the most recent guidance, I don't actually feel like there's a reason to hold that meeting unless something material happens between now and then. My own opinion.

Male 2: I agree.

Male 3: Yep.

Diane: Yep.

Diego: I agree. We need a motion. Did we motion to have these every two weeks?

Diane: We did, so I think we want to change that direction or agreement then. Sounds like Diego, you might be in the position to do that?

Diego: Sure, I would like to move that we cancel any further two week updates, unless and until staff identifies a change in guidance that would necessitate bringing us back together.

Andy: So can I maybe tweak that slightly? So I think, Diego, I think we're moving to cancel the bi weekly meetings for update purposes. But could we ask that there is a communication, a biweekly communication, that to the extent there's nothing additional to report just says -- there's nothing additional to report -- so that there is a paper trail of a biweekly communication that says -- nothing to discuss or something to discuss.

Diane: Yes.

Andy: So, we don't have the meetings, but we definitely have a regular cadence of, there's nothing to discuss.

Blake: Yeah, okay, Andy, that's a good point. Maybe to that end, we probably should schedule some time to review the forgiveness application, Joyce, and that certification. Sometime in July, presumably.

Diane: Great. I'll just have Joyce put that on the calendar. I don't think that ought to be part of this motion, if that's okay with you. So let's take the friendly, amended motion that I will commit to giving you a bi-weekly update on the program in writing here, going forward, and if there is a need for meeting we will certainly flag that, but we won't schedule another meeting in person on this topic at this point. Any other discussion on that? All right, let's do a quick roll call.

Blake?

Blake: Aye.

Diane: Bob?

Bob: Aye.

Diane: Diego?

Diego: Aye.

Diane: And Andy?

Andy: Aye.

Diane: Okay. I think that concludes our agenda. Do I have a motion to adjourn?

Blake: So moved.

Diane: Thanks Blake. And a second?

Bob: Second.

Diane: Thanks, Bob. And we'll do one more roll call. Blake?

Blake: Aye.

Diane: Bob?

Bob: Aye.

Diane: Diego?

Diego: Aye.

Diane: Andy?

Andy: Aye.

Diane: Great. So the meeting's concluded at 2:27 and Valeria you can stop recording.