



# Muskegon Heights Public Schools

2603 Leahy Street • Muskegon Heights, MI 49444 • Phone 231-830-3221 Fax 231-830-3560

## AGENDA

### REGULAR BOARD MEETING

BOARD OF EDUCATION  
2603 LEAHY STREET  
MUSKEGON HEIGHTS, MICHIGAN

### MUSKEGON HEIGHTS BOARD OF EDUCATION

MONDAY, MAY 12, 2014  
6:00 PM

1. Call to Order
2. Roll Call
3. Secretary's Report and Approval of Minutes
4. Action Items
5. Report from the Emergency Manager
  - A. Updates on Mosaica
  - B. Report from Gary Britton
  - C. Update on Emergency Loans
6. From the Board
7. Concerns of Parents/Citizens and Recognition of Guests
8. Adjournment

**BOARD OF EDUCATION  
of the  
SCHOOL DISTRICT  
of the  
CITY OF MUSKEGON HEIGHTS, MICHIGAN**

**REGULAR BOARD MEETING**

**MONDAY, MAY 12, 2014**

**6:00 PM**

**OFFICIAL PROCEEDINGS**

1. **The Regular Board Meeting, Muskegon Heights Board of Education, 2603 Leahy Street, Muskegon Heights, Michigan, was called to order by President Scott at 6:08 p.m.**
2. **President Scott, instructed Secretary Brewer, to call the roll and note Board Members and Administrative Staff present.**

BOARD MEMBERS: Mrs. Trinell Scott, President; Mr. Franklin Brewer, Secretary; Mrs. Peggy Selmon, Treasurer; Mrs. Kassandra Kitchen, Trustee; Mrs. Marjorie Cook, Trustee; Mrs. Estelita Rankin, Trustee; Mr. Mark Glover, Trustee

BOARD MEMBERS ABSENT: Mr. Franklin Brewer

ADMINISTRATIVE STAFF: Mr. Gregory Weatherspoon                      Gary Britton  
Emergency Manager    Attorney

ADMINISTRATIVE STAFF ABSENT:

**3. SECRETARY'S REPORT AND APPROVAL OF MINUTES**

**BE IT RESOLVED**, that the minutes for the Regular Board Meeting of **February 3, 2014**, be approved and placed on file.

M Estelita Rankin MOVED and m Mark Glover SECONDED the adoption of the resolution:

ROLL CALL Yes Scott ABS Brewer Yes Kitchen Yes Selmon  
Yes Rankin Yes Cook Yes Glover

**4. ACTION ITEMS**

NONE

**5. REPORT FROM THE EMERGENCY MANAGER**

Events of the last four months that have taken place in the community:

2012 Contract –When the contract with Mosaica (Educational Service Provider) was executed, there were several significant unknowns (i.e. the cost of special education and building repairs, and the level of student enrollment). Mosaica, as a for-profit organization, is compelled to follow a model which allows them to work here and make a profit.

Mr. Weatherspoon stated that when he started in October he was aware of the deficit and that the deficit was due mainly to facility costs and not operations. After meeting with and receiving an evaluation from LARA (the Michigan Department of Licensing and Regulatory Affairs) relative to the electrical, mechanicals and plumbing systems in district buildings, it was determined that Mosaica would have pay out one half million dollars just to open the doors in the fall. In addition to that, there were still was more than half million dollars of repairs that had to take place by June.

Because the district is operating under the conditions of a deficit elimination plan, we must have a plan in place to correct the facility deficiencies. In December a Deficit Elimination Plan (DEP) was submitted to the Michigan Department of Education, but it was not accepted. The December DEP was not viable because it relied on finding parties to make an investment in the district's aging buildings.

Our next option was to negotiate (with stakeholders) while finding a way to bring more revenue into the district. Since the district's revenue is dependent on student count, we cannot increase revenue without increasing the number of students. As of the February count, we only had gained 10-15 additional students at best. We had ironed out the special education cost but our facility cost was still there. Muskegon Heights is not unique with regard to financial issues stemming from decreased revenues and old buildings. Financing amounts this large represent a real challenge.

During our negotiations, we found that Mosaica had only taken part of their fee payment the first year and had taken no payment for the second year. The map to what we thought was a quality education for our students with our first provider (Mosaica), turned out not to be compatible with their model of operation.

Gary Britton – We finally got together to end the contract. After review its terms, we worked to ensure that Mosaica would continue to provide education services through the end of the school year. It is vital that the transition be smooth so that students are affected as little as possible.

Meeting of the PSA:

At the PSA Board Meeting the decision was made to search for another ESP to educate students. May 1st RFP's were sent out. Responses were due by May 23<sup>rd</sup>. We already have some interest shown by some groups. Some people have already gone through the buildings and looked at the set up. The idea is to let them find and ask the questions they want, so when they put their proposals together the proposal will be based on facts and not fiction. There remains a problem with buildings which have to be fixed. Part of the RFP indicates that a person who is coming to the table with a proposal will have to also have a proposal conducive to public financing in order to keep the school operating. A new charter school/operator will not be eligible for the initial state aide fund.

The new proposal structure is a little different than the first one. The first time the ESP was asked for comprehensive proposal. This time the ESP may submit a proposal for full operations or portions, (i.e., educational pieces who would provide the teachers, curriculum, etc. or you could bid on the business portion of the school). Mosaica was a bit overwhelmed when they walked in this K-12 district. If we have a separate entity working with finance/business office, then the education service provider can focus on just providing those educational services. We are hoping by the May 23<sup>rd</sup> due date we can sit down and come to an agreement on the best proposal with which to go forward. The circumstances this year are markedly different than those that we faced two years ago. When the first emergency manager was appointed, we had no funds available to go forward into the next school year and the school was facing termination/dissolution. This time around we have a staff and support staffs that are not encumbered by any agreements with Mosaica. Any non-compete agreements that were in place have been rescinded through the course of our negotiations with Mosaica. The affected people are all available should the new operator wish to use them. We are probably three or four steps ahead of where we were when we did this the last time. We know some of the things we wanted to make sure we have. The first year one of the biggest problem was to figure out how we were going to measure the deliverables. We wanted to make sure the information we got from the education service provider was giving us what we wanted as far as student achievement. We spent lots of time getting the right tools in place to make that determination. The students have been achieving at a higher rate than previously. The idea is to keep Muskegon Heights Public Schools alive and something community can be proud of and that the kids can achieve.

Update on emergency loans. Mosaica was putting their private monies into payroll. This started in November or December of 2013. We had never asked for all the company's financial spreadsheets, so when we started to move forward on working the problems out, we asked for the cash-flow data. We discovered this big deficit that was on-going. The original contract was for five years. The first two years we anticipated no profit would be made but the remaining years of the contract would provide enough profit to balance what was lost in the first two years. In November/December they started putting money in and they put money in through the March 30<sup>th</sup> payroll. Mosaica said they would no longer advance funds. This triggered everything else. The money that Mosaica fronted for payroll came to \$482,000. In the contract we agreed to pay what they had put into payroll. The only partial fee they received was in the first year. They did not receive any subsequent fees. This agreement is online under the "second Amendment". All the key conditions are spelled out: who is getting paid, how we will pay back the \$782,000 (which be 20%, 20% and 50%). We have to work step-by-step to make sure that we have total cooperation and collaboration until we have a final separation from Mosaica. Mr. Weatherspoon determined the remaining costs for payroll and money due vendors is \$142,000. This money was included in the emergency loan request.

Mr. Glover asked if the 1.4 million for payroll advances includes compensation for building repairs. Mr. Weatherspoon and Gary Britton answered yes.

No suits were filed by Mosaica due to the negotiations with John Gretzinger (PSA Attorney) and Gary Britton (Emergency Manager's Attorney). We had to work with Treasury and the Department of education; we had multiple meetings in trying to work things out. There was not any way of Mosaica making money or even receiving their fees. Nothing was the way they imagined nor was it how we imagined. So what we have in place for the next service provider is that special education services are in place, and more things are in place when it comes to the buildings. You only have a half million dollar liability when it comes to the buildings. We are taking one offline leaving only three buildings to maintain. It is a much improved picture on the money needed for buildings.

Lastly, hopefully we can have the staff in place and the retain Alena. We encourage the new provider to keep current staff on board. Before we stumbled and the first year there was a \$90,000 fine against Mosaica for employing non-certified teachers. We're past all of that. Those considerations are written in the 8 point agreement that you will see online.

Trinell Scott stated her only question was with the new provider. At the PSA Board Meeting a couple of weeks ago, many expressed a desire to keep the current staff in place but ultimately is that not the new provider's decision?

Gary stated that she was correct. If you read the RFP that is on the website there is a lot of language that suggests to those who are bidding on it that we have a lot of good solid staff who know the community and that have done a lot of work so far and they should be considered going forward. The authorizer will interview people or look at everyone credentials and there may be some they do not want to keep. But the providers are smart enough to know that in having a staff that is already in place and ready to go puts you miles ahead of where we were the last time. Mrs. Scott asked if that type of language was in the 1<sup>st</sup> RFP. Gary answered that was correct; it was not but there was a reason for that. We were coming from a different situation, we had MEA workforce and it was clear the operator did not want a MEA workforce and there are labor laws in place that state if you take so many employees from a previous employer you are considered the subsequent employer and under the labor law you would have to recognize the union. You also notice the difference in salary is substantial and the benefits. So that is why it was not really done that way before in this particular instance that is not the issue these folks are all PSA employees so we do not have to worry about that.

Mrs. Selmon stated: Building confidence in community so that people will understand that it wasn't all Mosaica's fault. PSA Board recognizes this issue and will be working on the issue to show that is going to be hopefully a very smooth transition to another operator. We are trying to keep athletics. We want everything that is important to this district and community to be there. The buildings are really in good shape; staff is set up; now we need someone to come with the educational piece. We have gotten a lot of help from MAISD over these last two years. They have a broad spectrum of things they can help us with, whether it is finance, curriculum special education (they really helped us a lot) in bring everything up to-date.

Mrs. Selmon stated the PSA Board and the Elected Board should work together. Need parent involvement. She does not mind knocking on doors.

Mrs. Cook stated that parent involvement is a good start, but you need something to pull them in. They must know what they are getting and what is expected.

Mrs. Rankin stated: She likes that the PSA is conducting business as usual. They are not allowing the negative publicity stop them with all the negativity (i.e. with all the media hype and speculation about whether there will be a school next year). It is not just the media; it is all of them even some of your ISD folks during the same thing. What she likes about it is that it is business as usual. Alena remains on the radio with positive feedback. It calms the community. Mr. Weatherspoon stated first thing is it is very obvious to him that there are very strong community ties. Gary speaks that this is a community that does not back down. You do not find many attorneys's who know the schools and the community they work with like him. When he went to the State Department, the Governor made a commitment by putting money aside. This is a project of the Governor's. You have a lot of people putting forth a commitment and dollars behind it. So therefore, it is time for us to get ourselves together.

If you get a chance to talk to Alena, ask her about parent teacher conference. It was overwhelming. There has been an incredible increase in parent involvement.

Mr. Weatherspoon spoke about the DEP: We are caught in transition because the first DEP was submitted to the State and the State said no to it. The first proposal failed because we tried to borrow money, secured by old buildings. We owned the building but could not get an investor to invest in them. The second time around we were right in the middle of this Mosaica situation so we did not get approved. The state is saying basically this: to cut cost back significant with 900 students, you have you have efficient building utilization. You cannot operate with some buildings half empty. We are recommending in our proposal using three schools. We thought about Pre-K through high school. The three buildings we are looking at are Edgewood, Middle and High Schools. Edgewood is in good condition. The ISD GSRP program has 8 rooms and wants more. That is the feeder program for our elementary. We could say no but there are 123 children in that program, and the ISD can find a place for them in Muskegon. Once they leave, they are gone for good. Our goal in realigning is to keep them in the district. So if we can keep them, Edgewood would be Pre-K - 2<sup>nd</sup>, Middle School would be 3<sup>rd</sup>-6<sup>th</sup>, and the High School would be 7<sup>th</sup>-12<sup>th</sup> (lower floor 7<sup>th</sup> - 8<sup>th</sup>) (second floor 9<sup>th</sup> - 12<sup>th</sup>). Alena and Mrs. Laws stated the 7<sup>th</sup>-12<sup>th</sup> is going to be a hard sell. Being the superintendent he had a 7<sup>th</sup>-12<sup>th</sup>. It is a hard sell if they mingle a lot. It is not if they do not mingle

and you run two separate schedules. It was not a true isolation, but if you have different pathways and different crossing of kids then the mixture is not there. It is not impossible for a 12<sup>th</sup> grade kid to run into a 7<sup>th</sup> grade student, but your scheduling is how you control it. Looking at the building 7<sup>th</sup>-8<sup>th</sup> will be on the bottom and the upper will be 9<sup>th</sup>-12<sup>th</sup>, it just need some fine tuning. The State says we have to do something.

Ms. Scott has a question regarding 7<sup>th</sup>-12<sup>th</sup> building asked Mr. Britton to help her with this because when we were a public school (tape ran out at this point)

**6. FROM THE BOARD**

Mrs. Rankin asked: did we still owe money from MHPS. Mr. Weatherspoon answered: the original loans, Office of Retirement Services and Unemployment will continue to be paid for many years. Muskegon Heights Public Schools debts is paid through taxes, Mosaica is paid through FTE Funding.

**7. CONCERNS OF PARENTS/CITIZENS AND RECOGNITION OF GUESTS**

Christine Reeves

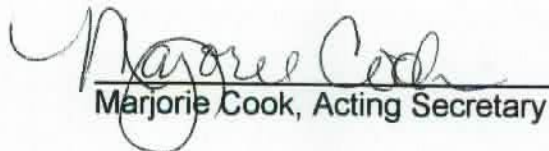
**ADJOURNMENT**

**RESOLVED**, that the Regular Board Meeting for Monday, May 12, 2014, adjourned at 6:50 p.m.

M Estelita Rankin MOVED and Mark Glover SECONDED the adoption of the resolution:

YEAS – 6 NAYS – 0

Respectfully submitted,

  
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Marjorie Cook, Acting Secretary