



## Harmony Public Schools

### Minutes

November 17, 2018 Board Meeting

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**Date and Time**

Saturday November 17, 2018 at 12:00 PM

**Location**

9321 W. Sam Houston Pkwy. S, Houston TX, 77099

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Items will not necessarily be discussed or considered in the order they are printed on the agenda above. If, during the course of the meeting, discussion of any item on the agenda should be held in an executive or closed session, the Board will convene in such executive or closed session as permitted by and in accordance with the Texas Open Meetings Act, Texas Government Code Chapter 551. Before any closed meeting is convened, the presiding officer will publicly identify the section or sections of the Texas Open Meetings Act authorizing the closed meeting. All final votes, actions, or decisions will be taken in open meeting.

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**Directors Present**

C. Keskin, D. Morales, E. MacDonald, H. Koc, O. Celepcikay

**Directors Absent**

H. Stewart, O. Kanlioglu

**Guests Present**

C. Lambert, E. Altun, E. Kose, Ebru Akyildiz, F. Ay, M. Bayar, M. Schneider-Vogel, Minh Baca, N. Bayhan, O. Ozer, U. Alpaslan

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**I. Opening Items**

**A. Call the Meeting to Order**

O. Celepcikay called a meeting of the board of directors of Harmony Public Schools to order on Saturday Nov 17, 2018 at 12:03 PM.

**B. Record Attendance and Guests**

**C. Public Comments**

None.

**II. Consent Agenda**

**A. Approval of Previous Board Meeting Minutes for October 27, 2018**

D. Morales made a motion to approve minutes from the October 27, 2018 on 10-27-18 October 27, 2018 on 10-27-18.

E. MacDonald seconded the motion.

The board **VOTED** unanimously to approve the motion.

**B. Consider Approval of a Board Resolution to Submit a Non-Expansion Amendment**

D. Morales made a motion to approve Board Resolution to Submit a Non-Expansion Amendment request for Harmony School of Enrichment-Houston Campus under Harmony School of Excellence Charter (CDN: 101-858).

E. MacDonald seconded the motion.

The board **VOTED** unanimously to approve the motion.

Dr. Celepcikay asks if the non-expansion amendment was regarding an address change and Mr. Ay states that is correct.

**III. Finance**

**A. Approval of 2017-2018 Audited Annual Financial and Compliance Report (AFR)**

Dr. Bayhan informs the board that TEA released their ratings and all of our districts received superior ratings and congratulates the team. Dr. Bayhan then invites Ms. Celina Cereceres from Whitley Penn to present the 2017-2018 Audited Annual Financial and Compliance Report.

Ms. Cereceres introduces herself and informs the board that she went over this presentation with the Finance Committee earlier this month and that the process for the audit will end tonight once the the board certificate is signed and submitted to the Texas Education Agency. Ms. Cereceres explains the process of working on this audit that began in May with the finance department. Whitley Penn had five staff members on site and the purpose was to offer an unmodified opinion of the data they were going to review.

Ms. Cereceres informs the board that Harmony Public Schools has earned an

unmodified opinion which is a clean report. There were no internal control findings and no findings related to compliance. Ms. Cereceres informs the board that this year they tested four major federal programs which included Race to the Top, Title III Part A (LEP), Special Education Cluster, and PCSP Start-Up. Each of these programs received an unmodified opinion and no internal control findings were found in these programs nor any compliance issues were noted. Harmony Public Schools total assets total \$516.8M and total liabilities total \$448.1M which means the endings net assets or net worth is \$68.7M.

Whitley Penn also look at HPS Bond Debt Covenants to see if they met requirements and they did with an operating reserve of 45 days of budgeted expenses with an available cash balance of \$94.5M. In regards to total revenue 4% came from the federal grants that were just discussed, 86% from state and local grants, and 10% came from other revenues. HPS total expenses equaled \$335.2 M which was an increase from the prior year of \$311.6M. In regards to the total expenses \$196M came from salaries, \$26.7M came from professional services, \$9.2 came from repairs and maintenance and there was depreciation of \$12.9M. Upon Whitley Penn informing HPS of Management Letters or recommendations, HPS had executive meetings and came back to Whitley Penn with solutions and explanations for each of the items which the Whitley Penn team was impressed by how serious HPS takes their finances and is willing to listen to recommendations. Again there were no significant deficiencies nor material weaknesses and we thank management for taking action quickly.

Dr. Celepcikay thanks Ms. Cereceres for her teams work and asks regarding the last slide recommendations will be sent to TEA as well and Ms. Cereceres informs him yes so that they can see any recommendations made. Dr. Celepcikay asks if she will also include the corrective action plan that the administration made and Ms. Cereceres states yes she will send it in its entirety.

H. Koc made a motion to approve the 2018-2018 Audited Annual Financial and Compliance Report as submitted and presented by the Independent Auditor, Whitley Penn.

D. Morales seconded the motion.

The board **VOTED** unanimously to approve the motion.

## **B. Approval of Q1 FY'19 Budget Amendments**

Dr. Bayhan presents Quarter 1 Fiscal Year 2019 Budget Amendments. Dr. Bayhan states that different than last year the goal is to finalize all budget amendments by July 1st which was recommended by our new auditors. The goal is to present to the board second quarter at the beginning of January, third quarter in April, and fourth quarter in June. In regards to the budget submitted at the end of June there are not many budget changes and it is around one percent.

Dr. Celepcikay states that during the finance committee meeting all schools met their target ADA numbers and Dr. Bayhan states for the current year we are good there were

minor changes in this quarter due to TEA's adjustment. He then states that there may be some major changes for the second quarter but this quarter is minor.

D. Morales made a motion to approve the Quarter One 2019 Fiscal Year Budget Amendments.

C. Keskin seconded the motion.

The board **VOTED** unanimously to approve the motion.

#### **C. Review of Quarterly Unaudited Financial Statements as of September 30, 2018**

Dr. Bayhan presents the quarterly unaudited financial statements as of September 30, 2018. Dr. Bayhan informs the board that the main focus was on payroll coding issues. The major change was a three million dollar difference due to the RTTD grant and start up grants. It was also found that last year we opened six new campuses and this year we only opened two. Thus due to RTTD and start up grants there was a decrease of three million with the rest of the data being almost the same. In regards to net assets there was a 10.3 million dollar increase. Finally, there was an increase in unrestricted cash balance from 76 million to 95 million which we meet our 100 day cash balance in hand and currently we have 107 days cash in hand.

#### **D. Review of Quarterly Investment Report as of September 30, 2018**

Dr. Bayhan presents the Quarterly Investment Report as of September 30, 2018. Dr. Bayhan informs the board that interest rates are increasing which means we will earn more in interest. In this quarter we received half a million dollars due to our investments. Last year the rate was around 1 to 1.5 and this year all are around 2 percent. We are expecting another jump which means our interest earnings will go up. Last year we earned around 1 million and we are now expecting 2 million dollars this year. We are continuing to diversify our investments and have moved 3 million from East West Bank to Wells Fargo and will look to move more into Wells Fargo to better diversify our investments which is one of the major changes in the report. We are investing into the top rated companies to lower the risk regarding S&P ratings.

Dr. Celepcikay states that during the finance committee meeting Mrs. Akyildiz presented this material and it was good to hear that we are doing well with investments and that we are diversifying our accounts even more. Dr. Bayhan states that an additional 2 million dollars for students is always good.

#### **E. Approval of Revisions to the Grants Management Policy Updates**

Dr. Bayhan presents approval of revisions to the Grants Management Policy. He states that based on recommendations from our attorney we have minor changes to be made. Dr. Bayhan informs the board that the changes are highlighted in the documents share with all board members. The changes included the addition of conflict of interest in this policy as well and other minor changes were when working with vendors are qualified to

use federal funds based on the recommendation from our attorneys. The others were typo changes or adding words but no major changes.

Dr. Koc asks if these changes were reviewed during the finance committee meeting and Dr. Bayhan informs him that they were.

Dr. Celepcikay asks if we are making these changes due to legislative changes? Dr. Bayhan states they are recommendations from our attorneys. Every year we are reviewing our policies and procedures and ask our attorneys recommendations. He states that we already have a conflict of interest policy but are adding it here to meet federal requirements.

Dr. Koc asks if there are any changes to the management of the plan and Dr. Bayhan states no and that all changes are highlighted. Dr. Koc asks Mr. Ay if we have a sufficient number of staff members to manage the amount of grants we receive. Mr. Ay states we placed an individual to oversee the grant and also have individuals in Central Office who oversee all of these grants to assure compliance. Dr. Koc asks if we believe this will be sufficient and Mr. Ay states for EIR it should be sufficient.

H. Koc made a motion to approve revisions to the Grants Management Policy.

E. MacDonald seconded the motion.

The board **VOTED** unanimously to approve the motion.

#### **F. Consider Approval/Ratification of the Minutes and of the Actions**

Dr. Bayhan presents the minutes and actions of the Finance Committee Meeting held on November 9, 2018 at 1:30 PM in the Austin Room in Central Office. There were four finance committee members present including Dr. Celepcikay, Mrs. Morales, Dr. Bayar, and Dr. Kose. The committee had five review items, four review and approve items, seven contract award items, and two closed session items. The committee reviewed 2017-2018 Draft Annual Financial and Compliance Report (AFR) as submitted and presented by the independent auditor, Whitley Penn, Quarterly review and adoption of Q1 FY '19 Budget Amendments, Quarterly Unaudited Financial Statements of September 30, 2018, Quarterly Board Investment Report of September 30, 2018, and Grants Management Policy updates. The committee approved contract methods required by Tex. Educ. Code 44.031/2269 to recover/repair of impacted area at HS Endeavor Austin Campus would prevent or substantially impair the conduct of classes or other essential school activities and consider approval of the ratification of the procurement of mold related repairs/recovery thru the companies for emergency recover/repair of mold and mold related issues in and outside of the campus building at the HS Endeavor Austin Campus, qualifying vendors to create a vendor pool for RSP no. #HPS1819\_PRDE for Professional Development Services to the proposers offering the best value to Harmony Public Schools, contracts with the attorneys, and Harmony DC fee waiver request in the amount of \$49,000. The committee approved contract awards to Professional Development Services to uncommon schools and its three strategies with

estimated cost of \$150,000, award for RSP no. HPS1819\_ORAS to procure Organizational Assessment services, HSA Grand Prairie Classroom Building Buildout Project, All Facilities - HVAC Repairs and Maintenance Project, Phase I conceptual design of the future HPS campus projects, HS Ingenuity Houston Campus Roof Refurbishment, and HPS Facilities Roof Repairs. The two items in closed session were tabled.

Dr. Celepcikay states that each agenda item does not need to start with "Dr. Celepcikay recommends discussing". Dr. Bayhan informs Dr. Bayar about the recommendation and it is noted.

D. Morales made a motion to approve the Minutes and Actions of the Finance Committee Meeting on November 9, 2018.

C. Keskin seconded the motion.

The board **VOTED** unanimously to approve the motion.

#### **IV. Academic**

##### **A. Consider Approval/Ratification of the Minutes and of the Actions**

Dr. Ozer presents the minutes and actions of the Academic Committee Meeting that was held on November 9, 2018 at 12:00 PM. During the meeting there was a presentation by Dr. Burak Yilmaz for the new EIR grant which stands for Education, Innovation, and Research. This grant is titled Harmony "LEAF to STEM" which stands for Launching Elementary Academic Foundations to Science, Technology, Engineering and Math. The purpose of the grant was to replicate the STEM model from our secondary programs to our K-5 schools. We applied for the mid-phase of the grant which was \$8 million dollars and used our secondary data of success to apply for the grant. We were one of only 18 organizations to receive this grant in the US for 2018. Only three school districts were rewarded and the others included mostly universities or research agency. Harmony is the only charter winner for the US. The grant is for five years and awards us \$8 million. This will affect 15,000 students for HPS and certain schools will be chosen using a stratified random sample to ensure demographic match between treatment and control groups. The research partners for this grant include Texas A&M University and Rice University. We believe this will address a critical need for STEM-ready college graduates and will start as early as kindergarten. We hope to expand Harmony's successful STEMSOS model and bring STEM -focused PBL to elementary students. We also hope to build elementary teachers' competence and confidence in delivering quality STEM instruction. There are three main strategies for this grant. The first is to build a PBL curriculum in K-5 with makers space, coding and computer related areas. We are currently seeking partners for this to help write curriculum. The second strategy is to launch a professional development institute for elementary teachers. The third is to develop a STEM-focused peer to peer mentoring program for elementary teachers by pairing them up with our high school teachers. We do have a project manager who was

selected to lead this program and she has extensive knowledge in this area and we are currently looking to identify partnership. The next step is working with Texas A&M research department to help us identify the campuses that we will pilot. Our aim is after a couple year of piloting these programs is to make sure all our campuses have the STEM initiative in them.

Dr. Celepcikay asks if this is a three year grant and Dr. Ozer informs him that it is a five year grant and the first year is used for planning and preparation. Dr. Celepcikay asks after this can we apply for phase three and Dr. Ozer states yes that we can apply for phase three but it is more challenging as we have to provide more research and data.

Ellen states that she believes this is a real tribute to our academic staff and teachers who have helped as this shows real credibility and we have developed a history of this. This says a lot about Harmony.

Dr. Celepcikay asks if we have a starting grade level regarding this grant and Dr. Ozer states we will be starting as early as Kindergarten.

Dr. Koc asks in the past we had grants for Middle and High School and now we have Elementary so having someone over grant is important.

Daisy asks on the next steps it says urgent so what are we looking to do for these steps.

Ozer states there are 3 steps and we covered all 3 of these such as finding someone to manage, worked with A&M regarding working with team to come to us with proposal to identify the campuses we will use. Until July we have a preparation phase and we feel comfortable to move forward next year in August with the 16 campuses chosen.

Dr. Celepcikay asks whom we are partnering with at Rice for help and Dr. Ozer states Rice Math Project group

Dr. Koc asks if 1 person will be enough for this grant and Ozer states yes this person will be enough and this person will be over this grant. Dr. Koc states that 5 years is a long term grant and we should not ask additional work load for this individual.

E. MacDonald made a motion to approve the Minutes and Actions of the Academic Committee Meeting on November 9, 2018.

D. Morales seconded the motion.

The board **VOTED** unanimously to approve the motion.

## **V. Other Business**

### **A. Consider Approval/Ratification of the Minutes and of the Actions**



Dr. Celepcikay states that he had a prior scheduled meeting during the November 9, 2018 Governance Committee meeting and Dr. Koc chaired this meeting. Dr. Celepcikay asks Dr. Koc to present the meeting minutes with all board members.

Dr. Koc informs the board that the Governance Committee met on November 9, 2018 at 10:44 AM. The members present included Mrs. Ellen MacDonal, Mr. Fatih Ay, and Dr. Hakduran Koc. There were four main items discussed during this meeting which included orientation and onboarding plan and package for new board members and the board member handbook. Mr. Ay brought a working document for the board member manual and included over one hundred pages. The sections included CEO & Board of Directors List and their Bios, Articles of Incorporation, HPS Bylaws, IRS 501(c)3 Determination Letter, Audit Report, Board Committees, HPS 2 Pager Info, HPS Board Trustee Performance Expectations, Board Operating Procedure and Governance Policies. This is a working document and Mr. Ay will make some changes to for this upcoming committee meeting. The second item discussed was a package for prospective board members who are nominated. The package would include HPS mission, vision statements, recent achievements, campus locations, student demographics, accountability results (financial and academic), and the board manual. In addition to that package after the election process there would then be a checklist for that new board member for technical use. The third item included the board manual which was discussed earlier and this will be updated yearly.

Mrs. Morales asks if the By-Laws will be in the board manual and Dr. Koc states yes this will be the case.

Mr. Ay states that this will be a draft and would like to share with all board members before final.

D. Morales made a motion to approve the minutes and actions of the Governance Committee Meeting held on November 9, 2018.

C. Keskin seconded the motion.

The board **VOTED** unanimously to approve the motion.

## **VI. Closing Items**

### **A. Closing Remarks**

Dr. Celepcikay informs the board that he has two closing remarks. The first is next meeting we will have chromebooks for each board member that is connected online and ready with Board on Track. The second is to wish everyone a Happy Thanksgiving.

Dr. Koc thanks everyone regarding their efforts for the AR Grant.

Mr. Keskin requests moving the room for the board meeting for the upcoming board meeting due to sound.

### **B.**



### **Adjourn Meeting**

D. Morales made a motion to adjourn the meeting.

C. Keskin seconded the motion.

The board **VOTED** unanimously to approve the motion.

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 1:00 PM.

Respectfully Submitted,

C. Lambert