

Board Special Meeting
Audit & Finance Committee
June 7, 2021, 7:00-9:00am
Meeting held remotely



Minutes

Call to Order

1. This meeting was called to order at 7:00 am. Directors Hersey, Director Hampson and Director Dury were present.

This meeting was staffed by Chief Financial Officer JoLynn Berge.

Director Hersey noted that the meeting was being held remotely consistent with the Governor's proclamations prohibiting the meeting from being held in person due to COVID-19. Director Hampson noted that the public had been provided remote access through Microsoft Teams and teleconference.

2. Approval of agenda – Director Hampson moved to approve the agenda. Director Dury seconded. Agenda was approved.
3. Approval of meeting minutes for Director Hampson moved to approved May 10, 2021 Minutes. Director Dury seconded, and minutes were approved.

Items Requiring Board Action

1. 1.BAR: 6550/6550BP, Internal Audit (Medina)

Director of Internal Audit and Ethics Officer, Andrew Medina presented Policy 6550 & Board Procedure 6550BP to the committee for Board Action Report (BAR) approval. Board Policy 6550 & Board Procedure 6550BP changes were in response to Moss Adams recommendations of creating a high value internal audit function. Mr. Medina summarized the Background Information, Equity Analysis, and Student Benefit sections of the BAR, as well as the Racial Equity Tool attachment. Mr. Medina proceeded to share new revisions to the Board Policy and Board Procedure.

Directors requested to know if the District was moving away from using the title of Chief Internal Auditor. Both Chief Financial Officer, JoLynn Berge and Chief Human Resources Officer, Noel Treat stated that the District is looking towards title changes, but none had been made at the time. There was much discussion on the industries standard use of the title Chief Internal Auditor and if the District should keep using the title for the sake of consistency or if they could look at other options. Mr. Medina and Tammy Lohr from Moss Adams clarified that the term Chief Internal Auditor is a standard term used by the IIA Standards to refer to the head of the internal audit function, and the its use in the Policy and Procedure is not intended to refer to a specific position title within the District.

Chief Berge requested to possibly amend the first sentence under the External Audit and Review portion of the board procedure. Mr. Medina proposed an amendment to the first sentence to make it clearer. Tammy Lohr from Moss Adams offered some clarifying comments regarding the intent of the language. Public Advisor, Ben Thompson also suggested adjusting the third bullet point under the External Audit and Review section of the Board Procedure to add a little more clarity.

This item moved forward for **consideration** pending the redline edits to the proposed suggestions.

2. BAR: Resolution 2020/21-28, Fixing and Adopting the 2021-22 Budget (Sebring)

Director of Budget Linda Sebring informed the committee that the new 2021-22 budget book is now available. Ms. Sebring spoke of the four-year forecast which Ms. Sebring went over in detail, highlighting that Seattle Public Schools has a balanced budget for the 2021-2022 school year. Ms. Sebring also stated that there is a potential strategy on how to avoid cuts for the 2022-2023 budget, however, we will need to begin looking at the structural deficit for the 2023-2024 and 2024-2025 school year budgets. The Board will be asked to vote on the 2020-2021 recommended budget and the four-year forecast. It was suggested that the finance team put together a report that speaks of Elementary and Secondary Emergency Relief (ESSER) fund expenditures and usage throughout and over the four-year time frame. This report will be made available sometime in August or September.

This item was moved forward for **consideration**, not for the lack of confidence but for the flexibility.

Special Attention Items

1. Informational Only: WSRMP Property & Liability Coverage Renewal (Staudt/Cerqui)

Chief Finance Officer JoLynn Berge, stated that the Washington Schools Risk Management Pool (WSRMP) property & liability coverage renewal should have come to the Board as a BAR but because of WSRMP's last minute changes to the property & liability coverage they could not move forward with the renewal. Richard Staudt, Manager of Risk Management stated that WSRMP indicated in January that premiums were going to go up due to a variety of different factors and in April WSRMP's Board voted to increase premiums by 20% except for those holding a Self-Insured Retention (SIR) which Seattle Public Schools (SPS) holds. At that time, WSRMP informed Mr. Staudt that they would be increasing SPS' premium by 36%. On June 1st, they let us know that would be paired with a requirement that our self-insured retention would go up from \$250,000.00 to \$1M. This increase will significantly impact our Legal department's budget. They subsequently offered an option to retain the \$250,000 SIR, but with a premium increase of 91% (\$2.8M). Mr. Staudt stated that SPS is currently in contract with WSRMP for the next 2 years which means that WSRMP would be able to impose the increases without the possibility of leaving the WSRMP. Seattle Public Schools and WSRMP are currently in negotiations over the increases and are looking for alternative insurance possibilities for the 2022 school year. The next WSRMP Executive Board meeting will be on June 30th were SPS will be able to make an appeal if an agreement is not met before then. Mr. Staudt would expect a final premium and SIR option proposal to be decided by July 5th.

Standing Agenda Items

1. Monthly Accounting Update (Fleming)

Accounting Director, Amy Fleming highlighted a few items on the report including. Ms. Fleming explained the Enrollment report average annual full Time Employee (FTE) is 51,285 which is not unusual and as expected considering the current situation. The General Fund Trend Analysis: Local Tax for the month of April was now at \$150.6M due to property taxes and revenue received in April. increase in Federal General Purpose due to ESSER funds that we've been receiving in Nutrition Services. The Office of Superintendent Public Office (OSPI) created a new program codes to account for the ESSER Fund expenditures which SPS will need to report back to OSPI. Federal Special Service GEER/ESSER is the name of the new line item. Balance Sheet: which shows a strong cash flow and the investment rate is still low due to the pandemic. Monthly Head Start Program budget to actual expenditures report: Federal grant requires that Ms. Fleming show the report every month.

2. Monthly Budget Update (Sebring) No updates.

3 .Committee Annual Work Plan (Berge)

Risk Management Annual Report and the Non-Discrimination and Affirmative Action Report will be discussed in August. There was discussion on what items on the work plan might be removed from the Annual Work Plan, those included, State & Federal Grants/Title I Annual Reports, JSCEE Bond/Building Update and the Annual Fixed Assets Report.

Adjourn

This meeting adjourned at 8:41 am.

Minutes submitted by: *The Office of Chief Financial Officer*