

Board Special Meeting

2445 – 3rd Avenue South, Seattle WA 98134



Executive Committee (Board Office Conference Room);
Oversight Work Session: Finance (Auditorium)
Wednesday, December 9, 2015, 4:30-7:00pm
John Stanford Center

Minutes

The meeting was called to order at 4:30pm. Directors Burke, Harris and Patu were present. Director Peters arrived at 4:36pm. Director Geary arrived at 4:38pm. Director Pinkham arrived at 4:40pm. Director Blanford arrived at 4:47pm. The meeting was staffed by Superintendent Nyland, General Counsel John Cerqui, and Board Office Manager Theresa Hale.

Executive Committee

Approval of agenda

Director Harris moved to approve the agenda. Director Patu seconded. **The agenda was approved unanimously.**

Approval of the November 5 and November 19 Executive Committee Minutes

Director Harris made a motion to abstain from voting to the minutes, as she was not present. Director Patu seconded. The motion to abstain was approved unanimously. Theresa Hale noted that as this is a new Executive Committee that had not been present at either of the meetings on November 5 or November 19, and the abstention meant that the meeting minutes will be posted as “unofficial.”

Approval of the January 6 Legislative Agenda

Ms. Hale noted that only one Board agenda for approval today. Directors and staff discussed possible recognition items, as there are none listed. Supt. Nyland recommended the 12 schools of distinction that were announced this week. Directors and staff noted the possibility of recognizing retiring Seattle Public Schools (SPS) employees Kathie Technow and Dwayne Young. Directors and staff discussed how the student presentations are selected, and would like to see who is scheduled for the rest of the year. Directors asked Michael Tolley about Franklin High School math and reading scores that were recently recognized. Directors asked about the student comments section, and Ms. Hale noted the process from previous years. Directors and staff discussed the consent agenda and how items are moved to the consent agenda. Directors agreed that action item #2, SAP Software Maintenance Agreement, could be moved to the consent agenda. Directors and staff discussed other potential action items that could be moved to consent, and the decision was made to leave the remaining items on action as listed. Directors discussed the personnel report, and asked why administrative leave of employees are not listed. Supt. Nyland spoke about the administrative leave process. John Cerqui noted the legal compliance piece specifies that the Board is to approve hires, separations, and terminations. Directors asked if administrative leave is protected under confidentiality purposes. Mr. Cerqui noted the ramifications and personal reasons, and that it could be damaging on someone's career. Directors asked that language be added to the report as to why administrative leaves are not included on this report, for transparency sake. Brent Jones suggested adding a broad statement on the report in the future regarding leaves. Directors asked about Policy No. 3246, Use of Reasonable Force, which was removed from the December 2 agenda. Ms. Hale noted that the item will be going back to the Curriculum & Instruction (C&I) Policy Committee, and it will need to be moved forward to the Board at that time. Mr. Cerqui noted that in the future, part of the motion should include which date it is moved forward to. Directors discussed the process of removing an agenda item or tabling it to another meeting.

Director Patu called for a motion to approve the agenda for January 6, as amended. Director Harris so moved. Director Peters seconded. The amended agenda passed unanimously.

Special Attention Items

December 5 Board Retreat Follow up

Erinn Bennett provided an overview of the retreat, and noted the request to have work sessions on the SMART Goals. She noted the brainstorm from Cabinet was to schedule multiple goals for each work session when possible, and to complete the sessions by February. Ms. Bennett noted having Director liaisons for each goal and asked Directors to email her regarding if they would like to be the liaison to a particular goal. Directors asked about the SMART Goals being distributed between the new and experienced Board members. Ms. Bennett noted that she welcomes feedback from staff on that. Directors asked about bringing in members of the community to assist with this to further encourage community engagement.

Discussion of Supt SMART Goal Work Session

Directors discussed the trainings and meetings that keep Directors up to speed on policies, procedures and opportunities. Supt. Nyland discussed working collectively to establish what SPS is trying to accomplish during work sessions, and noted that community engagement can be interpreted in many different ways, and mean different things to different people. He noted that the ideas are fluid, and SPS needs to do some collective processing on that. Michael Tolley noted that in terms of special education, there is an oversight work session coming up as an opportunity for community engagement. He noted that the 45 minute work session is specific to the Office of Superintendent of Public Instruction (OSPI) Memorandum of Understanding (MOU). Directors noted that special education comes up monthly in the C&I committee meetings, and that Directors need to be strategic on the learning opportunities to the community so they are authentic. Directors discussed the potential for additional time on Bell Times. Pegi McEvoy noted that the 45 minute work session would be appropriate at this time, but in the spring, when they are implementing the processes, more time will be allocated. Directors noted the interest in discussing how retreats would look in the future, and a survey that will be sent out to get feedback from the Directors. Ms. Bennett reviewed all of the items discussed for clarity and confirmation. Directors brought up providing for the public the acronyms and common phrases that are typically used. Jacque Coe noted that the communications team is working on a glossary. Directors asked about the mission statement language, when is it reviewed, and what are the best practices on reviewing the language.

Discussion of Board Engagement around Supt. SMART Goals

Directors discussed the 6 SMART goals that staff is working on, and to concentrate on 2 for the Board. Supt. Nyland noted the district mission, vision, and core beliefs, and that it's a good reminder to look at these. He noted that the Strategic Plan is a five year plan and it may be a good idea to review it with the new Board members. He noted tweaking some of the language that he's already done and he will be sending out the Board for their review. Directors noted it is important to acknowledge that it was a long process to create the Strategic Plan with staff and community members, and there is a danger in making significant changes, where there is a risk in alienating the community. They noted that these goals are four to five years for a reason, to be a guide to move forward, and that making significant changes may solve an immediate problem, but may not cover the long term.

Board Calendar/Work Plan: February 2016 Board Meeting Schedule

Ms. Hale noted the calendar in the packet, and that the calendar is on today's agenda due to staff asking about there being only one February Board meeting. She noted it was that way due to the mid-winter break being a full week off, and now that it has been shortened, staff has asked whether a second Board meeting would be added to February. She also noted the Executive Committee meetings for the remainder of the year, and wanted confirmation that this is the schedule that this committee would like to maintain through the year. Directors discussed the Thursday date, the time of the meetings, and options for changes. Ms. Bennett noted they can email Ms. Hale their preferences.

Director Harris made a motion to add a regular Board meeting on February 17 and Director Peters seconded. The motion was approved unanimously.

Mr. Cerqui noted that he will check in to the policies regarding making changes to the Board Calendar that was already approved by the previous Executive Committee back in June, and which has been posted to the public. He will research this and will get back to the Board. Directors discussed the start times of Board meetings in the past, and if it is required to have the portions of the meetings at specific times, and noted that working people can't get to the Board meetings so early. They further discussed the times and changes that were made in the past, as meetings that started later in the evenings would often run very late into the evening. Mr. Cerqui noted he will follow up and look into the questions.

Preparing for December 16 Board Self-Evaluation Work Session

Ms. Bennett noted the session is to discuss how the Board would like to proceed on their own self-evaluation. She made suggestions of looking at last year's instrument, the notes from previous Directors, and the Washington State School Directors' Association (WSSDA) evaluation model. Directors noted they would like to look at all three options to determine the best overall strategy.

Government Relations

Supt. Nyland noted a meeting with the Seattle legislative delegation on Monday, with attendance better than a year ago. He noted there were great conversations on high interest areas, and legislators reiterated that it's a short session and SPS should be very specific on our ask. Supt. Nyland noted that specifically, they asked about facility space needs, the issue of the ghost levy, and the levy cliff. He noted that in 2009, the legislature allowed a bump in the levy, and now that increase has been sunsetted. If the legislature doesn't act during this session in 2016, SPS won't have sufficient information when building the budget, doing hiring, and what funds will be available to the district. Directors asked for a recap of the discussion for them to review. Supt. Nyland noted that a review will be sent out to those that were present as well as the Directors. Directors asked for talking points on the levy cliff situation. Richard Best noted that he will be able to provide that information. Directors asked if tribal legislators are discussed during this point of the meeting and Staff noted that they have not been in the past. Supt. Nyland handed out a levy work sheet with some talking points.

Community

Jacque Coe noted the planning conversations on the Student Assignment Plan (SAP) and the notifications for parents. Ms. Coe also noted that she and Clover Codd are having conversations on shaping a framework to be more consistent and predictable with community engagement, and more far reaching. Dr. Codd noted that our own staff hasn't been trained in recent years to engage the community in a consistent and predictable manner. She further noted that tools for training are being developed to solidify the continuum on how and when to engage the community, and protocols. Ms. Coe noted an upcoming training from the International Association for Public Participation in February.

The meeting recessed at 5:39pm, and reconvened at 5:43pm in the auditorium.

Oversight Work Session: Finance

All Directors were present. The meeting was staffed by Superintendent Nyland, Assistant Superintendent for Business & Finance Ken Gotsch and Budget Director Linda Sebring. Staff also present was Purchasing Manager Craig Murphy, Contracts Manager Diane Navarro, Accounting Manager Kathie Technow, Risk & Loss Prevention Manager Richard Staudt, Capital Projects Financial Control Manager Melissa Coan and Payroll Manager Julie Davidson.

Ken Gotsch provided background information about Board Policy 1010 and that the following presentation is based on that Policy. Mr. Gotsch provided an overview of the Business & Finance Office **organizational chart**. Mr. Gotsch noted there were several new items on this year's chart:

- It highlights for the first time the fact that, by state statute, the King County Treasurer serves as the treasurer for the Seattle Public School (SPS). The King County Treasurer works directly with the District's Accounting Manager Kathie Technow and her staff.
- Also new is that Supt Nyland has moved procurement reporting to the Business & Finance Office and removed Grants Administration.

The Business & Finance Office has a total of approximately 68 positions. Mr. Gotsch explained that in addition to day-to-day operational duties and functional responsibilities, the Business & Finance Office is also to support the Board and its various committees, specifically the Audit & Finance Committee.

Mr. Gotsch gave a summary of the **Accounting Department** work, which includes preparing monthly and annual financial reports, reviewing and approving personal service contracts, and Pay-for-Kindergarten fee administration (which is in its last year). Mr. Gotsch spoke about Kathie Technow's December 15 retirement. Directors asked what the interim plan will be and Mr. Gotsch explained that Accounting Supervisor Barry Tsoi will be the interim Accounting Manager and that University of Washington accounting Professor Dr. Joseph Paperman will be providing temporary support starting in January to assist with the work being done in Accounting. Mr. Gotsch explained that the accounting manager position has also been reclassified to a director level consistent with the level of responsibility and what is typical in a unit of local government of this size.

Mr. Gotsch spoke about some of the responsibilities of the **Budget office** and Budget Director Linda Sebring. Mr. Gotsch spoke about how the Budget Office assists every three years to support work on the levy process. Mr. Gotsch also spoke about how the Budget Office monitors and supports schools and central department budgets.

Mr. Gotsch spoke about **Capital Finance** and Capital Projects Financial Control Manager Melissa Coan.

Mr. Gotsch spoke about **Contacts Services**. Mr. Gotsch spoke about Contracts Manager Diane Navarro's work to gain more exposure for SPS to the small business community by her membership in TABOR 100.

Mr. Gotsch spoke about the **Payroll department** and Payroll Manager Julie Davidson. Mr. Gotsch spoke about how Ms. Davidson payroll division monitors many functions such as living and garnishment services, injury on duty and retirement, just to name a few.

Mr. Gotsch spoke about how the **Purchasing Department**, with Purchasing Manager Craig Murphy, is new to the Business & Finance division. Mr. Gotsch explained how it fits well with the contracts department. Directors asked what the level of purchasing is. Mr. Murphy spoke about how Purchasing has a small pilot Procurement Card program at schools and is working on expanding that. Mr. Murphy spoke about a recent training workshop for Seattle Association of Educational Office Professionals that was recently held and the training was very successful. Directors asked what the process for a school purchasing request is. Mr. Murphy spoke about using the SAP system for school purchases. The purchasing department has a module for going through the electronic system – everything is visible and everything is checked for audit worthiness.

Risk Management: Directors ask why there is no mention of enterprise risk management. Mr. Gotsch explained it should be mentioned on slide 11 and it will be amended in the future presentations. Mr. Staudt spoke about Risk Management and how an enterprise risk manager is looking at the type of risks that will get in the way of us achieving goals for our students. Mr. Gotsch spoke about the monthly Local 609 on-the-job injury prevention meeting and how Risk Management has worked to improve the relationship with Local 609. Directors asked if we are doing Job Safety Analysis (JSA) and looking at risks. Mr. Staudt confirmed they are and that the work is prioritized by most frequent. Directors asked if the JSA training is that part of that program. Mr. Staudt noted it is but it is not universal throughout the district, and Risk Management has a budget request to fully fund for next year. Directors asked for the highest risks, if staff is determining risk by how dangerous the job is and if we are sharing the safety plan. Mr. Staudt explained we still have room to grow in that area. We are looking at the severity and the most frequently injured. Risk Management is working on that with senior leadership in key departments. Directors asked how this information would be given to the Board and Mr. Gotsch explained that Mr. Staudt supervises risk management items reported on here and at the quarterly Audit & Finance Committee audit meetings. Directors asked if it would be possible to have

that built into Board Action Reports and if it would be additional work for his department. Mr. Staudt spoke about how it would be helpful, and it would be additional work.

Directors asked how many transactions the Business & Finance Office is processing:

- Mr. Gotsch noted Ms. Davidson would have that information for Payroll and Ms. Technow for Accounting.
- Ms. Davidson explained the payroll department manages approximately 11,000 to 12,000 active employees on the roster and produces approximately 8,000 checks each monthly payroll. Net payroll is approximately \$25 million.
- Ms. Technow reported that Accounting Services processes about 600 checks a week and corresponding invoices that go with that. In addition, they review and process 700 personal service contracts and about a 1,000 capital transactions a week, process receipts from daily deposits in general and associate student body (ASB) funds and that can be approximately 50 different deposits a day with a range of \$1-2 million. Ms. Technow explained accounting services does have a lot of low dollar transactions. On the revenue side, we have four funds and seven levies.
- Ms. Technow explained what will not be seen in the report is the value in the building, which is in compliance to state accounting manual.
- Directors asked if those are liquid assets. Ms. Technow explained that, no, those are not liquid assets and in our case, Accounting Services just records and reports the expenditures in the capital project fund as they occur.
- Ms. Technow spoke about how Accounting has over 200 grants that they keep track of, at \$44 million annually. Accounting makes sure they are all in compliance and does all the reporting for them. Accounting also handles manual adjustments, \$65k in invoices in a year, and all of the funds for travel. ASB is \$5 million and includes school training, and is transaction heavy.
- Directors asked if the grants include parent donations or Parent Teacher Student Association (PTSA). Ms. Technow confirmed they do include that.

Mr. Gotsch spoke about the **S.W.O.T analysis**; this is based on Strengths, Weaknesses, Opportunities and Threats/Risks. Mr. Gotsch explained Business & Finance reviews itself and gives a self-assessment of where it is at. Directors asked why staff turnover is listed as a weakness. Mr. Gotsch explained it is still a weakness as it is an ongoing process, and they are trying to gain additional stability. Human Resources (HR) recently conducted a job analysis to help with making sure jobs are properly titled and compensated. Directors asked when staff leaves the district, if HR does an exit interview. Mr. Gotsch explained that question would be best answered by Brent Jones. Mr. Gotsch spoke about the threats and risk category and what it would look like to take it off – historically we have reflected on the range 3-5%. The more that is reserved, the greater cushion is available. We have also looked at insurance, which we have improved and it is something we wouldn't recommend taking off.

Mr. Gotsch reviewed Business and Finance **accomplishments**. Mr. Gotsch explained the hard work that has been done to maintain a high credit rating, significant improvements in risk management, State Auditor's Office (SAO) audit findings and closing our books. Through procurement, we have saved \$3.5 million through competitive bids. Mr. Gotsch spoke about the additional accomplishments of the updated State Legislative Agenda, recommendations to include input from the public, increased volume and responsiveness to public records requests, and how new capital projects have created dashboard status report for monthly Board communications. Mr. Gotsch also spoke about budget and payroll supported successful implementation of labor contracts. Mr. Gotsch explained how attending Vendor Events for the marketing of district projects to local small businesses has benefitted the district.

Directors asked what is done when capital projects are over or under budget. Ms. Coan spoke about the current capital projects. Ms. Coan explained there are 31 active projects this year and 25 came within budget. Ms. Coan spoke about the three projects which are over budget and the other three that are likely to be over budget. Directors asked what the net is and if it is below our budget. Ms. Coan noted the three projects that are over budget at \$1.1 million and we are expecting it to be an 8% increase. Directors asked if it is better to be cautious now in years when we underspend and then at the end of the year we catch up. Ms. Coan spoke about how Capital division has created a dashboard

in the capital projects area. It will be brought forward to the Board for contingency requests. These are also multiyear projects. Directors asked what projects are over budget. Ms. Coan explained Mann at Nova, Cedar Park, and Broadview projects are the three that might be over. Seismic project at Kimball, roof project at John Muir and Franklin track are the projects that are over budget.

Mr. Gotsch spoke about Business & Finance **goals and objectives** for this year. Mr. Gotsch explained this allows us to have goals documented in a public forum. Mr. Gotsch summarized the goals that have been completed and others that are on ongoing process. Directors how members of the public can ask questions and Mr. Gotsch explained there is an email address or they can make public comments at a Board meeting.

Mr. Gotsch spoke about the **performance measures**. Directors noted they felt they have been given the opportunity to make choices and not decisions. Directors asked about the percent of budget spent on instruction. Ms. Sebring explained the report the budget office gives to the Board and it will continue to change as budget staff review how costs are being classified. Ms. Sebring noted that five cost categories increased while direct teaching decreased. The Budget office had reported a long list of needs in the October 28, 2015 work session presentation. It also documents the multi-year cost category trend and budget gaps. The presentation is online under the budget web page. It is important to note that the biggest reductions were central cuts, with more resources going to the schools. Ms. Sebring spoke about first parent training being held January 25, and on February 1, the PTSA will be coming for an annual update on how they can get involved.

Directors asked why administration cost going up. Ms. Sebring spoke about several categories that went up and down and that in 2014-15, administrative hiring was increased to restore positions cut during the recession. In 2015-16, the increase will also be due to an increase in election and insurance costs. Ms. Sebring explained we classify our cost items based on OSPI standards and as budget staff review and reclassify costs, administrative costs may come down a bit. Directors asked if it is reclassified, will it still be considered an expense. Ms. Sebring spoke about the different categories and it is not the highest priority. Ms. Sebring spoke about how she will have a Friday memo regarding what are the different categories based on the state definitions. Directors asked if the District would be putting more funds into the classroom for curriculum and instruction. The average statewide administrative cost is 7.8% and SPS is at about 6.5%, below the State average.

Mr. Gotsch spoke about the **benchmarking** that has been done to compare SPS to other districts around the United States and within the State of Washington. Mr. Gotsch explained the results of the benchmarking relevant to our peers.

Mr. Gotsch spoke about the key Business & Finance Office **Board policies and procedures**. Mr. Gotsch noted the policy and procedures can be found on the District website for additional information.

Mr. Gotsch reviewed the Business & Finance Office **internal and external controls**.

Mr. Gotsch went over a list of the Business & Finance Office **major outside service contracts**. The largest contracts are with the Washington Schools Risk Management Pool to procure the District's annual insurance coverages and with the SAO to procure the annual financial statement audit.

Mr. Gotsch went over the Business & Finance Office **key information technology systems**. Mr. Gotsch explained that the SAP administrative and financial system is the most critical of all the systems inventoried on the presentation slide.

Mr. Gotsch spoke about looking forward and the **next steps** within Business & Finance. Directors asked if funding authority should be part of funding work plan. Mr. Gotsch spoke about how that would be up to the A&F Committee chair for the next year.

The meeting adjourned at 6:53pm.