

Board Special Meeting

John Stanford Center – Board Office Conference Room

2445 3rd Avenue South, Seattle, WA 98124



Audit & Finance Committee Meeting Minutes Thursday, August 13, 2015 4:30 – 6:30 pm

Call to Order

Director Martin-Morris called the meeting to order at 4:30 pm. School Board members present were Directors Martin-Morris, Blanford and Peters. Staff members present were Assistant Superintendent for Human Resources Brent Jones, Budget Director Linda Sebring, Accounting Manager Kathie Technow, Interim Director of Grants, Fiscal Compliance & Strategic Partnerships Michael Stone, Executive Director of Talent Management Adrian Byrd-Pina, Director of Internal Audit Andrew Medina, Supervisor Fixed Assets Accounting Jeff Hammer, Director Research & Evaluation Eric Anderson, Assistant Superintendent of Operations Pegi McEvoy, Executive Director Coordinated School Health Patricia Sanders

Approval of Agenda

Director Blandford moved to approve the agenda. Director Peters seconded. The agenda was approved.

Director Martin-Morris moved to approve the June 11, 2015 meeting minutes. Director Peters seconded. The minutes were approved.

Items Requiring Board Action on August 19 and/or September 9, 2015

1. Board Action Report: Employee Benefits/Contract (Byrd-Pina)
Adrian Byrd-Pina spoke about how the contract exceeded 25k therefore it requires board action. The amount of funds paid to each employee benefits plan is based on the negotiated premiums at the beginning of the plan year, and varies depending on the number of employees and family members enrolled on each plan during each month of the year. Ms. Byrd-Pina spoke about the cost for benefit plan expenditures for the upcoming (November 2015 to November 2016) plan year, we expect total premium costs for basic benefits to decrease approximately -2.8%, based on the estimated number of benefits-eligible employees, employees' enrollment choices and premium changes. Ms. Byrd-Pina spoke about the SPS share of the total plan premiums is fixed at \$780 per benefits-eligible full-time employee (increased from \$768), based on Washington State's monthly benefit allocation for school district employees effective September 2015. Any premium increases beyond what the State funds are borne entirely by employees through payroll deduction. Ms. Byrd-Pina spoke about employees can pay the entire premium amounts for the voluntary life insurance and short-term disability benefits. Ms. Byrd-Pina spoke District will send to the plan providers listed below approximately \$69,570,402 of which about \$55,399,317 (79.6%) will be from the General Fund and \$14,171,086 (20.4%) from employee payroll deductions.
Directors asked if the State is paying more. Ms. Byrd-Pina stated that was correct and this is an estimate and based on calculations from the past years.
Directors asked if any conversations around reducing the number of options of plans available to the employee. Ms. Byrd-Pina spoke about how it is being looked into but not fully vetted and no decisions have been made to make any change.
Directors asked a survey had been done yet to evaluate why people pick the plans they do. Ms. Byrd-Pina stated that is a welcomed suggestion. Currently a survey is not done.

The Committee moved this item forward with a recommended to move forward to the full Board for approval.

2. Non-represented Salary Schedules COLA (Byrd-Pina)

Adrian Byrd-Pina spoke about recommendations to the salary schedule to the Compensation Bulletin be increased across the board for non-represented staff by 1.8% starting September 1, 2015 due to the State funded cost of living adjustment. Ms. Byrd-Pina spoke about an additional increase of 1.2% starting September 1, 2015 through August 31, 2017, due to the State-funded one-biennium salary increase for the 2015-16 and 2016-17 school years. Ms. Byrd-Pina spoke about a salary step increase for non-represented staff starting September 1, 2015. Ms. Byrd-Pina spoke about prior to this staff had not received COLA since 2008. Directors asked if this is coming to the Board now because of the wait for the legislature to decide on COLA. Ms. Byrd-Pina spoke about how we did base our decision on state legislature. Directors asked if how other districts have implemented COLA. Ms. Linda Sebring spoke about the information available was the legislature determined we had to give the funding to everyone. The 1.8 is initiative 728. The 1.2 is the one biennium salary increase. We have spoken with other districts, it is not yet known what we will be doing for 17-18 yet. The district has been very clear it's a 1.8 COLA and 1.2 biennium salary increase. Directors asked if the salary schedule for represented employees is available. Ms. Byrd-Pina stated yes the schedule is available for represented employees. All cost updates are noted in collective bargaining agreement.

The Committee moved this item forward with a recommended to move forward to the full Board for approval.

3. Amending Board Procedure 3520BP Student Meal Prices (McEvoy/ Sander)

Pegi McEvoy spoke about the BAR which had previously been considered by Ops Committee and was introduced at the July 1st Board meeting. Ms. McEvoy spoke about the BAR amending School Board Policy No. 3520BP, Student Fees, Charges, Fines, Restitution and Damage Deposits, which gives the Board the authority to establish system-wide fees and charges such as the establishing fees for student meals. Ms. McEvoy spoke about how this motion will increase the meal rate by 25 cents per meal from the current rates found in Board Procedure 3520BP. Ms. McEvoy spoke about how this will be the first increase since 2011. Ms. McEvoy spoke about the steady increase in commodity costs and warehouse costs. Ms. McEvoy spoke about how this year the district also needs to support the new Seattle \$15 minimum legislation that is being incrementally implemented. The district has benched marked meal costs both locally and within the Council of Great City Schools and found our meal costs are below the benchmarked district's maximums in every category. Given that, the district had several options to consider and is suggesting a one year incremental increase. Directors asked how many of our schools have a free lunch rate at or above 80%. Patricia Sander spoke about how approximately 4-5 schools meet that criteria. Ms. McEvoy spoke about how the district has also increased the number of schools enrolled in the Community Eligibility Provision (CEP) program. Directors asked the district's total cost to produce a meal and the projected federally funded reimbursement rate for free and reduced meals. Ms. McEvoy stated that she will provide this information and also provide trend information for perspective. Directors noted while it is not needed in this BAR, it does need to be noted that the percentages of student meal participation over time has decreased due to a variety of reasons. Directors asked the BAR fiscal revenue impact box be checked to reflect a one-time revenue as this will be reviewed again for next year's meal costs.

The Committee moved this item forward with a recommended to move forward to the full Board for approval.

4. City of Seattle Families and Education Levy (FEL) Community (Stone)

Michael Stone spoke about the need for the amendment for this contract because the amount topped over 250k. As of July 27th, 2015, the projected total outlay is approximately \$371,000. All funding will be provided through the City of Seattle's 2011 Families and Education Levy. Mr. Stone spoke about the net fiscal impact to of this action to the Seattle Public Schools is \$0. Directors asked why does the YMCA receive funds from FEL and District. Mr. Stone spoke about how YMCA does not receive funds from the district. The funds are just from the FEL, the District is the fiscal agent however funds come from FEL. Directors asked what has made the costs go up. Mr. Stone spoke about two additional schools requested to receive services from the YMCA. This request happened after July 1.

The Committee moved this item forward with a recommended to move forward to the full Board for approval.

5. Economic Stabilization Account Policy and Resolution (Technow)

Kathie Technow spoke about how this account will provide for future economic stabilization, and changes to the account would be in future year's budgets.

Previously minimum fund balance has been set annually in accordance with Board policy. According to the Government Accounting Standards Board, minimum fund balance definition is not strong enough. Ms. Technow spoke about how the district is purposely setting funds aside. Ms. Technow spoke about how the GASB states that the board has to approve use of these funds and has to be for a defined reason. It is much more prescriptive, as you can see; the old policy was three paragraphs and the new policy is three pages. The district has operated the Minimum Fund Balance under the same philosophy as the Economic Stabilization Account; this new policy formalizes and documents its establishment and use. A resolution has to be in place before August 31, 2015. If we do not change this terminology before then the minimum fund balance would only be noted in footnotes to the financial statements and then fall in the unassigned balance on the budget. But if we make this change we can include it in the financial statements and have it as a separate item and it would not flow into the unassigned fund balance.

Directors asked if this policy aligns our policy and practices with GASB. Ms. Technow spoke about how this policy will align us more with GASB. OSPI is also in the process of having the accounting manual more in compliance.

Directors asked if WASDA has a model policy around us. Ms. Technow spoke about how this has just recently come up, OSPI went through a process with SAO.

The Committee moved this item forward with a recommended to move forward to the full Board for approval for intro and action.

Special Attention Items

• Notification of Contract Exceeding \$250,000 (Anderson)

Eric Anderson spoke about Amplify contract chosen in RFP process for access and likening itself. Mr. Anderson spoke about a possible renewal the district contracted with them for creation services. These services included two workshops \$13,500 for assessment creation services.

This is just a notification of that amount exceeding the 250k.

Directors question the new core is selling amplify will that affect us. Mr. Anderson spoke about how this year it will not effect. What impact that might have for future services is unknown. Mr. Anderson spoke about how Amplify has been in contact with us and do not expect any interruption. Director Peters pointed out that vendor News Corp., Inc has announced that it is selling its Amplify division and products, and she asked if this would affect SPS.

- District Reported Losses RCW 43.09.185 (Technow/Hammer)

Jeff Hammer spoke about how this report was given to report the state auditor office as required by the RCW code. Mr. Hammer spoke about had several items stolen interagency.

Subsequent to the fixed asset inventory of all interagency sites, we discovered 2 iPads and one portable sound system unaccounted for. User name is notes set up within the asset record as the last known user. In these cases the item was not returned. In working with the Interagency Technical Support staff, these iPads were not returned by the last known assigned user prior to the employee departure from SPS. Mr. Hammer sent letters of inquiry via Certified Mail/Return Receipt to each of the former employees at their last known address. One former employee indicates she did turn in the iPad, the second employee I have not yet received a Return Receipt sent on June 15, 2015.

Mr. Hammer spoke about requesting HR to tell us when an employee will leave so can request items back before they leave.

Directors asked if isn't it up to managers to assure return of items when one their employees leaves the district; is there a check list for managers. Does the district have a process for this. Brent Jones spoke about not having that method for tracking set up currently. Mr. Jones spoke about having Human Resources working together with Mr. Hammer to development a checklist for employees as they leave the District.

Directors asked who would generate a policy for the board to consider a possible. Brent Jones stated this would need to begin with HR.

- Notification of Alliance for Education contract for Auxiliary School Depository and Disbursement Account Management Services (Technow)

Kathie Technow spoke about how no Board action is necessary - this briefing is informational only. Ms. Technow spoke about how previously the district had a partnership agreement; we are redefining to include only school account administration and redefining school accounts. Some will have to come back to the district, especially ASB accounts. PTA and booster accounts the district should not be paying for the administration of those. Alliance will make a determination at that time if they will be charging a fee of those accounts. The district did send out a request for proposal (RFP).

Ms. Technow spoke about how Alliance was the only that responded to that request.

Directors asked where the RFP was advertised to send the RFP out to. Ms. Technow spoke about it was advertised in our standard large bids sites, a notification was also sent to Alliance, however not many organization do this sort of work.

Directors asked if the PTA will probably be responsible for a fixed cost or per cost transaction fee. Ms. Technow spoke about how Alliance is trying to work with the organizations that will be effected by this change.

- Continuing Municipal Bond Disclosure Update (Technow)

Kathie Technow spoke about the outstanding debt, we are filing for 5 years of continuing disclosure not previously reported. This summarizes our percentage of taxes collect. Ms. Technow spoke about how we are higher in our collection rates and the District has very little debt.

Internal Audit

- Draft Internal Audit Plan Review (Medina)

Mr. Medina spoke about the draft version of next year's Internal Audit Plan. Mr. Medina met with each of the A&F Committee Members individually, and he also received feedback from other Directors. The draft plan is based upon a risk assessment, as well as feedback from the Directors. Mr. Medina spoke about the draft he was sharing today only covers the non-capital items, but that the Directors are encouraged to provide input on capital audits as well. Mr. Medina indicated that he will ask the Committee to formally approve the plan at the September quarterly A&F meeting.

Mr. Medina spoke about the school audits being a strong priority next year and he discussed the other priority audits. The Directors concurred with the priority list and expressed concerns associated with field trips. Directors asked about data sharing agreements and whether they contain a right-to-audit clause. Mr. Medina spoke about a meeting to be held on Monday to answer that question.

Regular Agenda

1. Monthly Financial Status Update: May-June 2015 Report (Technow)

Kathie Technow spoke about the June fund balance we are on a downward trend for now until October when property taxes are received. For June the ending general fund balance was \$56.3 million. Ms. Technow explained the enrollment projection for June is 270 FTE than the adopted budget. Property tax collection continues to increase, with this year being at 12.7 million over last year. Ms. Technow spoke about the revenue for the district through June was \$512 million. State revenue is also up since last year, it is currently at \$277.6 million and up approximately \$23.4 million from last year. The expenditures are also up \$36.4 million from last year.

Ms. Technow spoke about the Capital Projects Fund is up to \$191.4M and compares to 142.1 million last year. Ms. Technow spoke about BEX IV expenditures. Debt Service Fund was \$6.8 million as of June 2015. And Trust Fund remains at \$1.9 million.

Directors asked why on page two does of the report it appear the enrollment numbers are low. Ms. Technow spoke about how it is not actually down and Kindergarten being reported as FTE, not individual student, which uses the difference. We went up by 1,177 students from last year, which is consistent with what we expected.

2. Monthly Budget Update (Sebring)

Linda Sebring spoke about the subset of what was given the SEA labor negotiation teams. Legislative results showing that the state gives us \$37 million more in revenue doesn't mean we areas actually have \$37 million to spend on items we would like. Ms. Sebring spoke about the new funding also came with \$28 million of additional costs. In the budget office we work on budget starting almost a year prior. Ms. Sebring spoke about the continuing effort to refine what we anticipate the budget to be based on what the legislature proposes. We were able to give a great prediction. We estimating that the COLA would be based on what the House were offering. We were off on the levy inflator which will limit how much property tax we can collect and the increase in medical coverage. In total, we were off by 1.3 million, overly optimistic of what was going to come out of the legislature. Ms. Sebring spoke about the budget office is in the process of filing our approved budget with the state.

Directors asked if the WEA guru come with the same numbers. Ms. Sebring spoke about that he didn't have any numbers, and they had no questions after the presentation. Ms. Sebring spoke about how the last slide shows how our reserves compare, as a percentage of expenses with other Puget Sound school districts. We fall right in the middle.

3. Monthly Human Resources Update: Title IX (Jones)

Brent Jones spoke about Barbara Nahouraii who was the former interim title IX director has new position within SPS. Mark Yamashita is now in the position interim. Mr. Jones spoke about how we currently do not have any new cases due to it being the summer.

Directors asked what Mr. Yamashita title is. Mr. Jones spoke about how Mr. Yamashita is currently the interim director of student relations and we will add title 9 interim if we do not have the position filled by the start of school.

4. Monthly Grants Update (Stone)

No update.

Adjourn

The meeting was adjourned at 6:36 pm