

# Board Special Meeting

John Stanford Center – Board Office Conference Room

2445 3<sup>rd</sup> Avenue South, Seattle, WA 98124



## **Audit & Finance Committee Meeting Minutes Thursday, March 10, 2016 4:30 – 6:30 pm**

### **Call to Order**

Director Peters called the meeting to order at 4:30 pm.

School Board members present were Directors Peters and Harris.

Staff members present were Assistant Superintendent for Business & Finance Ken Gotsch, Deputy Superintendent Stephen Nielsen, Assistant Superintendent for Human Resources Clover Codd, Interim Accounting Manager Barry Tsoi, Budget Director Linda Sebring, Grants Director Michael Stone, Audit Response Manager Annette Boulmetis, Chief Information Officer Carmen Rahm, Deputy General Counsel John Cerqui and Program Manager for Head Start Eugene Gousie.

### **Approval of Agenda**

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

Director Harris moved to delay approval of February 11, 2016 meeting minutes to April 19<sup>th</sup> A&F. Director Peters seconded. The motion was approved unanimously.

### **Special Attention Item**

1. Overview of District Investment (Matheson/Smith, King County Finance & Business Operations)

Kenneth Gotsch introduced Scott Matheson, Treasury Operations Manager from King County. Mr. Matheson summarized what King County Treasury does for Seattle Public Schools (SPS). Directors asked if they work under the executive branch of King County. Mr. Matheson explained they do work under the executive and treasury department, which is part of the finance and business operations.

Mr. Matheson spoke about the investment pool and summarized the benefits of SPS being in the investment pool.

Directors asked if they aggregate all the pools together. Mr. Matheson explained that is correct. Mr. Matheson spoke about Public Financial Management (PFM) to provide advice on the District's investment policy and are available to us when we need to get an outside opinion. Mr. Matheson spoke about the investment pool advisory committee on page 4. Mr. Smith spoke about the type of investments that can be made. Mr. Smith summarized legal investments for local government on page 5.

Directors asked what was the AIG grade before the market went down. Mr. Smith noted it was an investment grade but was unsure of the exact amount.

Directors asked which other school districts are in the pool. Mr. Smith explained all 19 districts are in the pool.

Directors asked for more information about the eleven firms. Mr. Smith spoke about how they are high quality banks. The ideas are taken to an oversight committee..

Directors asked during the financial meltdown, if King County investment pool got stuck with any problems. Mr. Smith explained that was before they hired PFM. At that time King County hadn't been through something like that before.

## 2. Human Resources Class & Compensation Study (Codd)

Clover Codd gave an update for the non-represented class and compensation study that began in June 2015. Ms. Codd spoke about why the study was conducted. Mr. Gotsch spoke about the budget that was allocated for this study. Ms. Codd summarized the timeline of the study.

Ms. Codd explained Seattle Public Schools (SPS) asked 10 additional school districts for comparison, and six of them responded. Ms. Codd summarized the findings of the study.

Directors asked where the cost come in and where do non-represented employees come in.

Ms. Codd spoke about still having a step system and now having them placed within the appropriate steps and making sure the job is according to market.

Directors asked if a matrix will be in place and how much influence will a manager have in the decision process. Ms. Codd spoke about how the new process makes it more equitable and consistent, this structure will provide more predictability.

Director's asked if the work impacts current employees or new employees. Ms. Codd noted that it would be applicable to both. Ms. Codd explained that 13 steps would still apply, but that some employees are compensated over market and we need to determine how to handle that.

Directors asked how many employees are in this situation and how will this effect morale.

There was a discussion regarding the percentage of people who were either over or under market currently and Ms. Codd agreed to add this information in a Friday memo.

Directors asked if this will cause attrition. Ms. Codd explained if people are paid above market, the District needs to consider financially stable solutions.

Directors asked what can a non-represented employee do if they disagree with this plan. Ms. Codd spoke about how a non-represented employee does not have a union to represent them. Therefore they would not be negotiating as a group, or as an individual, but that Human resources is working with Assistant Superintends whether position reclassifications need to be implemented.

Directors asked about the timeline for rollout of this to employees. Ms. Codd noted the goal was to have it done by May 1 and June 1 at the latest for adjustments to occur for employees who are currently compensated under market.

Directors asked what type of internal communication has been done to keep up morale for the employees. Ms. Codd spoke about communication with the board, employees have been met with regarding validity this study. Directors asked how many people the study includes. Ms. Codd explained it is approximately 400 employees.

Directors would like Ms. Codd to draft a one page with all this information included.

### **Items Requiring Board Action on March 2 and/or March 16, 2016**

#### 1. Board Action Report: Carkeek Memorial Fund Participation (Stone/ Cerqui)

John Cerqui spoke about the request to authorize how principals participate. Mr. Cerqui spoke about rotating, as noted in the attachment.

Directors asked why Middle College High School is not included. Mr. Stone explained they are in section 1.

If a principal is not able to do this for such reason as the principal position is vacation. Mr. Cerqui this would be the time to add that language.

Directors asked how the schools were organized on the attachment 1. Mr. Cerqui explained it was random, but it was done by region; wanting District wide- representation and fairness.

Directors asked if principals have been included before. Mr. Cerqui summarized who the last four principals included in the previous year.

Directors asked if this can be in the scholarship committee. Mr. Cerqui spoke about how this is separate, and if the principals are on this committee then it could be possible. However that may not help with the diversity of the committee.

Directors asked if this scholarship was widely advertised and do people apply. Mr. Cerqui confirmed it is advertised and students have applied each year. And it is for all 4 years, and the awardees must go to a public Washington school.

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

## 2. Amending Board Procedure 3520BP, Student Fees & Charges (Gotsch/Tsoi)

Barry Tsoi spoke about amending Board procedure 3520BP, that is included in the documents given at the meeting to note full funding of Full Day Kindergarten. Mr. Tsoi spoke about the procedure is already in the budget and we will receive the funding. While parents are enrolling their student in schools they may not choose the school that is best for them but based on cost. This amendment will allow parents to choose the school based on needs and not cost.

Director asked if parents already put in their choices for procedure school they would like to attend. Mr. Tsoi says this is ongoing, but we cannot make this update without the Board approval.

Directors asked if the session in Olympia ending affected this item being brought forward. Mr. Gotsch explained how this legislative budget is still to be approved but the funding for this is fairly certain.

Directors asked how the District is doing about collecting the funds. Mr. Tsoi explained most parents have elected to use electronic transfer.

The Committee reviewed the item and moved it forward for consideration by the full Board.

## 3. Board Action Report: Proposed Loan from Community Schools Fund to Accelerate Technology BTA IV Levy Projects (Gotsch/ Rahm)

Carmen Rahm spoke about how this was briefly spoken about last night. Mr. Rahm spoke about how this process is being started early so it can be a thoughtful process.

Mr. Gotsch spoke about how this will help accelerate work.

Directors asked when it begin. Mr. Gotsch spoke about how this would take effect April. Mr. Gotsch noted how this is being asked to be borrowed and will be paid back by October 2017.

Mr. Gotsch spoke about how this will be reviewed in the monthly financial statement.

Directors asked what will happen if we do not do this. Mr. Rahm spoke about how we would have to then wait for the funding.

Directors asked if we do this are we not going to have more data breaches. Mr. Rahm if we do this we eliminate a lot of the data breaches help automate some of those processes.

Directors asked if there are no more BTA III funds. Mr. Rahm explained we have a little left from that and we have already marked that to be spent on a project already.

Erinn Bennett spoke about the BAR will introduced on 4/6/2016 and action 4/20/2016.

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

## **Regular Agenda**

### 1. Monthly Procurement Update (Murphy)

Mr. Murphy spoke about awarded levy technology. He explained the Department of Technology have delivered 90% of those items ahead of time to the schools. Mr. Murphy spoke about three

bids that have been opened. Mr. Murphy spoke about how contracting services is still attending TABOR monthly meetings.

Directors spoke about doing a dual curriculum adoption with an emphasis on Middle School math. Mr. Murphy spoke about working on that and additional discussion is needed due to staffing.

Directors asked if there's any economy of scale if it was done at the same time. Mr. Murphy spoke about extra time needed to insure the District gets it right.

Directors asked what field testing is. Mr. Murphy explained how that is currently being tested out in the schools.

Mr. Murphy thanked Ken Gotsch for his time here at the district.

## 2. Financial Status Update (Tsoi)

Barry Tsoi spoke about General Fund for January 2016; the ending fund balance was about \$70.6M. This compares to \$57.4M for January 2015.

Directors thanked Mr. Tsoi for adding Stanford center on page 13.

Mr. Tsoi spoke about enrollment for the year of 51,105 is less than the adopted budget for 2015-2016 by 569 FTE. This is still 863 students higher than the previous year.

Directors asked if this is a well-known and published number. Mr. Tsoi spoke about how this is the number that is reported by the state. Linda Sebring explained why this number may be different based on head count, and FTE. The general education as of October 1, 2016 and we are funded based on average across the year.

Directors asked pre-k do not get counted. Mr. Nielsen confirmed we receive zero for the pre-k students.

Mr. Tsoi spoke about the revenues were \$293.8M YTD, compared to \$266.9M last year. State revenues of \$172M are up approximately \$17.6M over the previous year, reflecting increased enrollment. Expenditures of \$288.2M were up \$26.7M over the previous year due primarily to increased staff expenses, as well as special education expenditures.

Directors asked about expenditures monthly spend, that \$10M correct. Ms. Sebring spoke about how the amount should be higher, the budget amount for this year is higher. Food cost, transportation costs are all higher. Ms. Sebring explained the District's accounting is cash basis of reporting. Mr. Tsoi explained it is better to look at this as a percentage of that budget in terms of absolute dollars.

Mr. Tsoi spoke about the Capital Projects Fund balance was \$141.6M compared to \$144M in the prior year. Fund balance is comprised primarily of BEX IV (\$48.4M), BTA III (\$62.6M). Revenues were \$79.4M, consisting primarily of property taxes from the BEX IV levy (\$53.3M) and BTA III levy (\$20.8M). Expenditures of \$60M were comprised principally of BEX IV (\$51.3M) & BTA III (\$4.9M). Mr. Tsoi spoke about the debt Service Fund in January 2016, the fund balance was \$5.1M. Mr. Tsoi spoke about the balance will increase this year as we establish a sinking fund for the 2010 QSCB (\$17.5M) that is due in total in June, 2017.

Mr. Tsoi spoke about the Associated Student Body Funds (ASB) represent monies raised by student groups for cultural, athletic, recreational and/or social purposes. Fund balance at January 2016 was \$4.1M compared to also \$4.2M in 2015. Mr. Tsoi spoke about the revenue for January was \$2.1, and expenditures were \$1.6M.

Directors asked ASB funds we keep in our bank account and not the alliance. Mr. Tsoi that is correct they are our funds.

Mr. Tsoi spoke about the Trust Fund accounts are monies donated to the District for private purposes, primarily scholarships, and are governed by individual agreements. The January fund balance was \$1.9M. Mr. Tsoi spoke about the investments. Mr. Tsoi spoke about the King County Pool net earned interest rate was 0.68% in January, compared to 0.52% in January of the previous year. The rate has gradually increased in recent months, following the general interest rate environment.

Directors asked why does BEXII and BTAII have balances. Mr. Tsoi said they have not spent all their funding. Ms. Sebring spoke about how when property taxes are not paid on time, they still have funds coming in from late balances of taxes.

Mr. Tsoi spoke about the Community Schools Report on page 12.

Directors asked about assisted technology at the DOTs, can we boost our technology on for our special education. Mr. Nielson spoke about this item was a Board action where the idea was to set money aside for special projects of the boards. Mr. Gotsch spoke about the legacy of this document. Mr. Nielson explained it is flexible resources as long as it can be identified as capital funds.

Mr. Nielson will look at the parameters and will provide a report at the next meeting.

Directors asked for the status of the loan to the BTA II. Mr. Tsoi spoke about the repayment plan.

Directors asked what the plan is to repay the JSCEE bond. Mr. Tsoi spoke about how we have paid 1.3 Million on the principal already this year.

### 3. Monthly Grants Update (Stone)

Michael Stone advised all MOU's go through legal. Anything that is a donation will go directly into Self Help. Mr. Stone spoke about this report is specifically for grants.

Mr. Stone spoke about how most federal grants are coming in as they should. Mr. Stone explained students that were on free and reduced lunch status, students are temporary placed on there and are accepted that is why we see a flux on free and reduced lunch.

Directors asked are we signing up enough students on free and reduced lunch. Mr. Stone spoke about how the report didn't include the temporary students on free and reduced lunch. Grants department will be adjusting the report to reflect this.

Directors asked what are we doing to capture kids that are not being recorded. Mr. Stone spoke about how the plan will be to work with family support workers at the buildings, begin communication earlier in the year and to have communication translated.

Directors asked is this one of the times we can work with teachers to embrace and chase. Mr. Stone noted this can be done in conjunction with the city.

Directors asked if we have a flyer that we hand out to families. Cashel Toner spoke about education for our principal core and partnering with our community groups.

Mr. Stone advised Title II funds are not known until summer time. The no cost extension is related to the Teacher Incentive Fund (TIF).

Mr. Stone explained Title IV is also being brought up again and will be funding directly for summer school. This will take some pressure off of Title I for summer school. Mr. Stone explained Title IV will appear on the report again starting in 17-18. In a transition period for ESSA and more will be known in the coming months.

Directors asked what other ideas have been suggested. Mr. Stone explained it would be to have summer school expanded out.

Mr. Stone explained math science partnership is a multi-year grant, it is a five year grant and they give us three years up front. Mr. Stone will be checking with Jody Thomas on the fruit and vegetable. Mr. Stone spoke about the John Hopkins grant for the freshman transition and minority engagement grant and MENDER through the UW.

Directors would like footnotes added to the grants report. Mr. Stone explained that a full Grant Inventory report is on the Grants website on the SPS website.

Directors asked where is the Rainer Beach IB grant. Mr. Stone explained that would be found under the Race To the Top.

Directors asked if it comes from OSPI for Title grants. Mr. Stone and Mr. Nielson summarized how the plan is to have the district embedded in the plan. Mr. Stone explained this is district wide and not just Title I schools.

#### 4. Monthly Budget Update (Sebring)

Linda Sebring spoke about Board two by two's in process to review the budget.

State budget scheduled to be finished today. Ms. Sebring spoke about the Purple Book (School allocations) updated and posted on the outside web page today.

Directors asked what the deadlines are. Ms. Sebring spoke about things changing, and enrollment changing. Capacity and location are two reasons, if you lose capacity, the school staffing will be adjusted. This Monday school waivers were due. This is a process where schools are able to change a position from what was given in the Weighted Staffing Standards model (WSS). Mitigation funds were discussed in the gold book and were also due on Monday, and they are still being received.

School Budget Instructions (Gold Book) is online and available in hardcopy if requested.

School Budget development is under way and scheduled to be finished March 21<sup>st</sup>. Decisions had not been made in the mitigation process, Ms. Sebring spoke about how this process should have already been done, and summarized some challenges. Mr. Nielsen spoke about the change to K-3 staffing requirements. Mr. Nielsen spoke about the good and the bad news. Ms. Sebring spoke about split grade classrooms. This year, 18 teaching positions are being held until we see actual students in the Fall so we are not placing teachers and removing them.

Directors asked is there any way to tie in advanced learning needs. Mr. Nielsen suggested that would need to be directed to Michael Tolley for an accurate answer.

Ms. Sebring will give a Friday update when more is known. Ms. Sebring spoke about the work session planned for the general Fund update, Capital fund and Grants, scheduled for March 30th from 6:00pm to 7:30pm.

#### 5. SMART Goal #4 Early Hiring (Codd)

Clover Codd spoke about still being on schedule. Phase 1 hiring will begin March 28<sup>th</sup> and Phase 3 will open on May 23<sup>rd</sup>. Ms. Codd summarized the number of applications, offers and Directors asked what does diversity look like. Ms. Codd spoke about how the applicant pool is more diverse than our current teaching corps, and more will be known after hiring is complete. Directors asked how many applicants are typically identified. Ms. Codd noted we have applicants for some schools that are more than others. We have a teacher shortage in high need areas.

#### 6. Monthly Head Start Financial Report Updated (Gousie)

Eugene Gousie handed out item titled Budget report 2016. Mr. Gousie presented the monthly budget and then reviewed the proposed action steps over a 3-year period to ensure program sustainability. This current year's budget shortfall was addressed when the Federal Government responded positively to a request for the return of \$151,000 to the Head Start budget. The plan for next budget year is to reduce the program by 30 slots, resulting in two fewer classes to be staffed. This will address about 2/3 of the anticipated budget deficit. Other cuts will need to be considered. The program is recommending that Head Start no longer be provided at Highland Park. Given wait lists across the program and alternate opportunities for Early Childhood Education (ECE) services for families, this makes the most sense. The District will be able to backfill with a Seattle Preschool Program at Highland Park.

Cashel Toner explained that of the current 40 students at Highland Park, 19 of them will not be going on to kindergarten next year. These students will be given priority for the SPP program at Highland Park or the neighboring Head Start programs at Roxhill or Concord.

Directors asked if they will receive a BAR for this. Ms. Toner explained they will in order for the recommendation to be presented to the Federal Government, as does the annual budget, which typically comes to the Board in June.

Directors asked if this will be a continuing problem. Ms. Toner confirmed we have more work to do in the coming year to make the program sustainable.

Directors asked if it is better to ask for the federal government to cut rather than ask for a raise. Mr. Gousie spoke about how we are in year 3 of a 5 year grant and a mechanism in place to manage the budget is an adjustment of number of children served.

Mr. Gousie also reminded the Directors of the Head Start Board binder in the Board Office that contains all the documents presented over time to the Board and the Policy Council. He also requested that Directors set aside time in the coming month for the annual Head Start Board training.

Ms. Toner thanked Ken Gotsch for his leadership.

#### 7. Committee Annual Work Plan (Gotsch)

Ken Gotsch noted the fixed capital asset update will be in August. Ms. Codd noted work on Policy 3208 policy should be in August and not in April.

Directors asked does it have to be done in August. Erin Bennett spoke about the policy calendar and the process of the approval of the calendar. Ms. Bennett spoke about that it can be added to the Executive Committee agenda. Ms. Codd will be presenting on this at the Wednesday School Board Meeting.

Directors asked to have an Annual Ethics Report Policy added to No.5251. Andrew Medina will be adding the annual report.

Directors thanked Ken Gotsch for all he brought to the district. He will be missed and they wish him the best.

#### **Adjourn**

The meeting was adjourned at 7:39pm.