

Board Special Meeting

John Stanford Center – Board Office Conference Room

2445 3rd Avenue South, Seattle, WA 98124



Audit & Finance Committee Meeting Minutes Thursday, May 12, 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 Deputy Superintendent Stephen Nielsen, Superintendent Larry Nyland.

Approval of Agenda

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

Director Harris moved to approve the February 11, 2016, March 10, 2016, and April 19, 2016 meeting minutes. Director Peters seconded. The motion was unanimously approved.

Director Blanford arrived at 4:32 pm.

Board Policies and Procedures

1. Data Privacy Policy 6501 (Codd/ Perlstein)

Director of Policy, Board Relations and Special Projects Erinn Bennett introduced the Information Technology Manager April Mardock. Ms. Bennett reviewed questions received regarding Policy 6501 and summarized the purpose of the policy. Ms. Bennett explained why the Board Action Report (BAR) was not brought forward yet as there are additional questions still to be answered.

Ms. Bennett handed out the Student Records Policy No. 3231 and its procedure and spoke about the Directors previous request to add language about 3rd parties not being allowed to sell data. Ms. Mardock spoke about the Data Sharing Agreements that are currently available to the District and noted she will send out the template that is used in the Memorandum of Understanding (MOU). This MOU goes into further detail on what is and isn't allowed, all those concerns embedded in the agreement. Ms. Bennett spoke about the language on data sharing agreements in 3231SP (Page 6.B) and possibly adding a number 4 to increase specificity. Ms. Bennett spoke about the Network Use Agreement (NUA) in regards to the responsibility in SPS employee data, which she can send with the template. Ms. Bennett noted she is continuing the research of other questions asked by the Board, which she will bring to the June meeting.

Directors asked about confidential email correspondence and if there is a reference that calls out "Personally Identified Information" (PII) when record searches are done so those would be easily searchable. Ms. Mardock noted the process is not as precise as it could be, but spoke about how in the subject line it could say confidential. For FERPA (Family Education Rights and Privacy Act) and PII information, they are tagged and archived that way.

Directors asked for clarification if DoTS currently does not have a formal way to tag electronic documents. Ms. Mardock confirmed that is correct and explained DoTS is looking into better ways to file electronic documents, not just for FERPA and PII.

Directors asked how SPS compare to other districts on how restrictive we are on our data. Ms. Mardock explained we are in better standing than other districts and we have actually shared our procedures with other districts. A PTAC (Privacy Technical Assistance Center) presentation provides guidance on things we are already doing, but SPS does have room for improvement. Directors asked which specific areas are not in compliance, as recommended. Ms. Mardock spoke about the end user needs to know what to do to protect information and how devices are kept safe.

Directors asked about data sharing agreements with third parties, specifically if they are they uniform. Ms. Mardock explained no they are not currently uniform but we are getting them that way.

Directors asked if any language existed on information being used by third parties. General Counsel Noel Treat explained data information for third parties can be found in the draft of Policy 6501.

Ms. Bennett explained this Policy 6501 is not in place yet, and additional language can be discussed with the team to insure it is included.

Directors would like cohesion in the policies. Ms. Bennett explained this policy is to create compliance and alignment all the way down to personnel and students.

Directors suggested to Ms. Bennett that a pictograph be included, for easier visualization of how Policy 6501 is the umbrella over the other policies.

Items Requiring Board Action on May 18 and/or June 1 2016

1. BAR: Family and Education Levy (FEL) Annual Funding FY16-17 (Stone)

Grants Director Michael Stone spoke about the 41 buildings that receive FEL funds. This year, three buildings will be added, with a total of just over \$15 Million, and next year will be three to four additional buildings. Mr. Stone will research additional funding that may have been given since action report was routed. Mr. Stone gave a summary of the funding currently available and spoke about how schools have already budgeted for staffing with the funding and based on 75% of the allocation.

Directors asked how the District did last year on the performance pay. Mr. Stone explained those numbers are being verified and will be available next week. Any performance pay earned this year will come to them next year.

Directors asked if that is for the main schools or all schools. Mr. Stone explained it was for the main schools.

Directors asked for the ordinance language found in the FEL, specifically to know what voters voted for in the Levy. Mr. Stone will look further into that and give the Board the information later.

Directors asked about funding for high school innovations, for example high schools are all allocated the same amount of money but the student populations are different. Mr. Stone explained the levy is funded for specific student groups. It is not based on size of the school, it is based on a formula with specific targets.

Directors asked if that addresses funds to close the opportunity gap. Mr. Stone explained it is based on the school's application. Superintendent Nyland spoke about how the City of Seattle is aware if a school hasn't applied, the City will reach out to that school and offer application completion assistance.

Mr. Stone explained the City is in the process of choosing new elementary schools and working with them to develop a plan.

Directors requested page numbers be added to the document.

Directors asked if long term sustainability can be embedded. Mr. Stone explained the levy is coming up for renewal by the City in 2017. The District will have to see where it goes from there.

Directors asked about the high schools that applied originally. Mr. Stone explained FEL funding was only open to high schools for the first two years.

Directors asked why Rainier Beach is not included in the list. Mr. Stone explained Rainier Beach was in the process of a leadership change at that time. Mr. Stone will get back to the Board on why Middle college is not included in this list.

Follow Up: Information on why Middle College is not included in this list and provide the ordinance language on the FEL to know what the voters voted for in the Levy.

Action: Director Blanford moved to move the item forward to the Board with a recommendation for approval. Director Harris moved to move the item forward to the Board for consideration, and Director Peters seconded. This motion passed by a vote of 2-1, Director Harris and Peters voted yes, Director Blanford voted no.

2. BAR: Family and Education Levy CBO Contracts (Stone)

Michael Stone spoke about the top 5 contracts that tend to go over the \$250K amount and explained in the past, the late identification of \$250k+ contracts has delayed services.

Directors asked for any downside in accelerating approval. Mr. Stone explained he saw no risk and commented on the timing of the Board meetings. Mr. Nielsen explained that this would give the ability for capacity if any of the 5 contracts exceed \$250k, and staff will come back to notify the Audit & Finance (A&F) committee if a contract does.

Directors asked about the two that are already above \$250k. Mr. Stone explained the City has asked the remaining schools to be done by tomorrow. Mr. Stone explained they should have final numbers before Board action, the numbers that are in the handout are based on what we have know now.

Directors asked if the groups are the same ones that came to the committee last year. Mr. Stone confirmed they are the same as in previous years.

Follow Up: Directors requested language to be added, stating that if the contract is increased beyond \$250K it should be brought back to A&F for an informational briefing.

Directors asked if this BAR is overriding the Board policies already in place. Mr. Nielsen explained this BAR does not override existing policies and procedures.

Action: Director Harris moved to move the item forward for to the full Board with a recommendation for approval, and Director Blanford seconded. This motion passed unanimously.

3. BAR: Sub TRI Back Pay (Codd)

Assistant Superintendent of Human Resources Clover Codd explained the situation is evolving and District wants to be as transparent as possible. Ms. Codd spoke about a partial execution to the settlement agreement and gave background information on how the settlement agreement began. Ms. Codd explained that arbitration started in 2011 with SEA and the District and again in 2014 for a similar issue. The issue is on whether the long term substitutes are due TRI pay. In 2011, the arbitrator ruled in favor of the district. Ms. Codd stated that she has an email from the Executive Director of Seattle Education Association (SEA) telling her that a verbal agreement was reached between SEA and the Director of Labor and Employee Relations before negotiations began.

Directors asked if this was retroactively. Ms. Codd explained the 2015-2018 contract language was not retroactive – but moving forward.

Ms. Codd explained this Settlement Agreement was signed by the SEA union representative and a district employee on February 2016 for retroactive pay prior to the 2015-18 contract. Ms. Codd explained the proper process was not followed and then explained what should have occurred. Ms. Codd spoke about any agreement above \$250K is routed and presented to the appropriate committee then presented to the full Board for approval.

Ms. Codd explained that currently the settlement agreement did not follow the proper routing process. In March of 2016, the District was notified that an agreement had been signed. Payroll alerted that this amount was above \$250K. It was also at this time that due to the fact that the electronic funds were already sent out, approximately 2/3 of the settlement agreement has been paid.

Ms. Codd is requesting consideration to move this BAR forward.

Directors thanked Ms. Codd for bringing this to them once the error had been discovered and requested an outside investigator look into this matter.

Superintendent Nyland agreed with the Board that an investigation is needed due to the fact that the District's own procedures were not followed. Superintendent Nyland noted SPS staff will be as helpful as they can during the investigation.

Directors asked for the reason the revenue source is blank on the BAR, and if the General Counsel will be available. Noel Treat explained that Legal will be responsible for monitoring the investigation and that Legal has the budget to cover the investigation and then the Board can decide what to do next.

Directors asked will a new BAR be set out for the investigation with a price. Mr. Treat explained a new BAR would not be necessary to get this process started.

Directors asked if they are able to table this BAR until after the investigation. Mr. Treat explained the committee could do table the BAR if they wanted.

Action: Director Harris moved to the table the item and Director Blanford seconded. This motion passed unanimously.

Directors asked if it was true the District has no legal authority to take statements of people outside of our staff. Mr. Treat explained that is correct in the investigation process.

Directors asked Superintendent Nyland for confirmation that there will be no interference during the investigation. Superintendent Nyland explained all cooperation will be given to the investigation.

Ms. Codd spoke about how no agreements from this point forward would be made unless a calculation is completed by staff and is signed by the Assistant Superintendent of Human Resources.

4. BAR: Change in Head Start Grant Submission (Gousie)

Head Start Program Manager Eugene Gousie apologized for the delay in getting the materials to the committee members. He reviewed the program's efforts to meet its budget over the past year. This proposal would reduce 4 positions by eliminating two classes at Highland Park, bringing the number of Head Start children served by the program from 430 to 400. This would save roughly \$240,000 out of an anticipated deficit of \$320,000 for FY 2017. The projected deficit traces largely to September's collective bargaining agreement.

Directors asked if we could appeal to the Office of Head Start for additional funds next year. Mr. Gousie explained we can, but this would not be a one-time unanticipated event, which was the basis for approving the funds for the current year.

Mr. Gousie explained how the decision was made to close the classes at Highland Park and that children continuing with the Head Start program would have priority for transferring to other local Head Start classes or into the new Seattle Preschool Program at Highland Park.

Directors asked if we could face a similar budgetary situation in the future. Mr. Nielsen explained that this could be the case, citing Sequestration as an example.

Action: Director Harris moved to move the item forward to the full Board with a recommendation for approval, and Director Blanford seconded. This motion passed unanimously.

5. BAR: Head Start Annual Grant Submittal (Gousie)

Mr. Gousie noted the Head Start grant is due August 1 and the program typically asks the Board for approval in May/June. The only major change to the grant for Fiscal Year (FY) 17 (November 1, 2016 – October 31, 2017) is the reduction in slots resulting in no Head Start services at Highland Park.

Directors asked about Non-Federal-Share: Mr. Gousie explained that for every \$4 the Federal government provides through the Head Start grant, the District must supply \$1 in matching funds. We do this largely through transportation services and parent and community volunteer time.

Directors noted an article about eliminating parent committees. Mr. Gousie explained that new Performance Standards may provide more flexibility in constructing parent committees, but that the District would need to have parent committees of some sort in order to provide training and gather input from parents. Family engagement is a core part of the Head Start program.

Directors noted that the proposal was late in arriving to them and asked what will happen if they delay approval for a month. Ms. Bennett checked Board dates and confirmed that there would be just enough time to approve the grant if it were brought back to A&F in June.

The Committee requested that the item come back to the June Audit & Finance meeting.

Regular Agenda

1. Monthly Head Start Financial Report Updated (Gousie/Toner)

Eugene Gousie noted the introduction of the monthly Head Start budget report, stating there was nothing extraordinary to call attention to.

Mr. Gousie introduced two items, Congress has authorized a 1.8% Cost of Living Adjustment (COLA) for Head Start and Head Start is making funds available to extend the duration of Head Start classes. Mr. Gousie explained the COLA for Head Start. This will build a little more than \$74,000 into the base Head Start grant and the funds are dedicated to staff salaries and benefits.

Mr. Gousie is working with Board Liaison Director Geary to apply for the COLA funds.

Second item Mr. Gousie spoke about is the \$294 million available for grantees across the country to extend part-day, part-year classes to 1020 hours per year, the equivalent of 170 days at 6 hours a day. The funds will be available starting in September of 2017. The proposal is due to the Office of Head Start by June 24th. There is no guarantee the Federal government would approve some or all of the proposal. In any case, both Policy Council and the Board would need to give approval at the time of negotiations for additional funding for the program.

Mr. Gousie spoke about how the program could identify up to 4 classrooms that could support expansion starting in 2017-18: one classroom at Roxhill and Broadview-Thomson and 2 classrooms at Olympic Hills. Directors asked if there is a demand for longer duration. Mr. Gousie explained that anecdotal evidence there is.

Directors asked if there is a downside to a longer day. Ms. Toner said the challenge is facilities. Ms.

Toner noted we are not obligated to take the funding if we are unable to meet the capacity needs.

Directors asked about conversations with Community Based Organizations (CBOs) at the school for expanding the space. Ms. Toner spoke about how the proposal is only for space that is already dedicated to Head Start programming. Directors requested a close partnership with community partners and enrollment planning.

Directors asked how much we might be applying for. Mr. Gousie identified the amount as approximately \$470,000, which includes one-time funding for playground equipment and some facilities upgrades.

Directors asked about the risks, if Head Start receives the grant and then do not fill the slots. Mr. Gousie explained that any time there is a pattern of under enrollment for a significant period of time, the Office of Head Start can rework the grant to serve fewer children at a reduced funding amount.

Follow up: Directors requested to have a report based on the data on full day vs. half day.

2. SMART Goal #4 Early Hiring (Codd)

Clover Codd spoke about the current ongoing hiring and Phase 2 job fair. Ms. Codd explained that in two weeks teachers will know where they are placed. The District is currently one month ahead of the usual schedule.

Directors requested the report that gives where each employee is at in the hiring process. Ms. Codd will speak to someone to find out that information, and should have that information available to the Board in a few weeks.

Directors asked what Ms. Codd meant by “the displaced” employees and how are they tracked. Ms. Codd explained it has not been tracked systematically. However, the historical data is available within the department.

Follow up: Report that gives information on where each employee is at in the hiring process.

3. Monthly Financial Status Update (Tsoi)

Stephan Nielsen thanked Barry Tsoi and all of the Accounting staff for working so hard. Mr. Tsoi spoke about the overall financial status through the end of March and explained this time of the year before the April property taxes, we are at the lowest fund balance. Mr. Tsoi referred to page 3 of the report which highlights the General Fund. He spoke about the enrollment projects, and overall revenue, and then about the capital project revenue on page 10. Mr. Tsoi summarized financial highlights found on page 1.

Directors asked if Board members would have been able to see the TRI payout. Mr. Tsoi explained that what he is speaking to is an overall financial update. What they are requesting would be at the program level. Mr. Tsoi explained his monthly update is to show the validity of the SPS financial standing.

Warner Danielson explained that, throughout the year, there are legitimate non-standard payments such as certain teacher stipends. This TRI payout would not have looked different than any of these, and would be difficult to spot without really examining things at a very detailed level.

Directors asked if this would be called cash flow. Mr. Danielson explained it would be called staff expenditures from month to month.

Mr. Tsoi explained the budget control is to not exceed the department budget. Mr. Tsoi explained the debt service fund and the school construction fund will be paid in 2017.

4. Monthly Budget Update (Sebring)

Stephan Nielsen introduced Business Systems Analyst Lead/Supervisor Warner Danielson. Mr. Danielson explained what his primary duties are within the Budget Department. Mr. Danielson explained as of Monday May 9th the budget has been locked. The Budget department has the intent to submit the budget book to the Government Finance Officers Association for recognition. Mr. Danielson reviewed the Budget Development Calendar handout and explained once the budget book is published the possibility is available of an insert to the book if additional information needs to be added.

Directors asked about a math adoption and how that could be included. Mr. Nielsen spoke about how this could be adjusted as an insert available online. Mr. Nielsen explained SPS is required to make the budget book available to the public.

Mr. Danielson explained why we adopt the budget in July rather than in August. Part of this logic is submitting our budget to the Puget Sound Educational Service District (ESD). Mr.

Danielson explained budgets should be loaded in the first week of August to allow for proper management and budget planning.

Directors asked if there are any significant changes from previous years. Mr. Danielson explained nothing significant has changed.

Mr. Nielsen explained what they are doing in July is only approving the budget at the macro level. Everything is a projection of revenue and the capacity for budget flexibility is loaded in and this allows for the budget to be built around actual needs. At the end of the year the true budget and spending amount is known.

Director Blanford left at 6:35 pm.

Directors noted that the June 23rd is a required public hearing, but the budget will not be changed based on public input. Mr. Danielson explained that it is true that it is difficult to include public input at this stage, but this is only one piece of public engagement. Some districts hold this hearing the same day of adoption, which is something we avoid.

Directors asked how Board members can change this to allow additional feedback from the community. Mr. Nielsen explained that in upcoming community engagement meetings, we would present what the projected revenue is and ask for feedback on how we spend those dollars. This will be applied in the Weighted Staffing Standards (WSS) process which will be built in for building school budgets in the years going forward. This knowledge base helps us understand what our parameters are to tell legislators why we need more school funding.

Mr. Nielsen spoke about JoLynn Berge joining the District in mid-June.

5. Committee Annual Work Plan (Nielsen)

Mr. Nielsen noted there are no changes to the work plan.

Adjourn

The meeting was adjourned at 6:41 pm.