

FINANCE SUBCOMMITTEE MEETING

**Tuesday, June 3, 2014
5:30 PM**

**School Administration Building
417 Rock Street
Fall River, MA 02720**

AGENDA

- Whitson's Contract
- Community Eligibility Program
- FY15 Expenditure for Henry Lord renovations
- FY15 Adjustments

MINUTES

At 5:52 PM Mrs. Panchley, Chair of the subcommittee, read the open meeting law.

Mrs. Panchley then called to order the meeting of the Finance Subcommittee for Tuesday, June 3, 2014 and explained that the Mayor temporarily appointed Mr. Robert Maynard to the subcommittee in Mr. Hart's temporary inability to serve. A roll call for attendance showed Mrs. Panchley, Mr. Maynard were present. Mr. Costa was absent.

Also present were Superintendent Mayo-Brown, Mr. Michael Saunders, Mr. Gabe Andrade, Mr. Tom Coogan, Mr. Kevin Almeida, Mr. Brian Mikolazyk and members of the press.

1. Whitson's Contract

Mr. Coogan handed out a document and explained it was a one page amendment to the existing contract. He explained that Whitson's has served the district for four years and they are in the first year of their second three-year contract. This would be their first renewal on the second contract with them. There is an indexed cost which provides for a small increase in Whitson's fees on their end. It is based on the Northeast Urban Index for food costs for food away from home. It is a 2% increase which represents an increase from \$16,500 to \$16,830 for the administrative fee and a management fee that goes from \$10,500 to \$10,710, which is a per month fee for the ten months that the food services are in operation. He noted that this was the second indexed cost increase that they experienced in the second and third years of the first contract.

Mrs. Panchley questioned if it was very typical.

Mr. Coogan said it is and it is an automatic increase based on the index. If it doesn't go up, they do not experience an increase.

MOTION: Mr. Maynard – Mrs. Panchley: To accept.

2 were in favor

1 absent (Mr. Costa)

Motion Passed

2. Community Eligibility Program

Mr. Coogan handed out a document and explained that the Community Eligibility Program (CEP) is a new program before them this year which is brought out by the National School Lunch Program. Every year in order to determine what their percentage and categories are for each type of student that they have, the typical process is that a lunch application goes home for the parent to fill out to determine if they are eligible for free or reduced lunch and if not, students pay full price for their meal. Over the past couple of years, the district has participated in a program called Direct Certification which has certain qualifying events that make a child automatically eligible for free lunch. The state operates as a clearing house and if the student's information is listed on any one of those qualifying services, the student is direct certified and automatically eligible for a free lunch. Approximately 6,000 of the 10,500 students in the district get direct certified through this process.

Mr. Coogan continued by explaining that the CEP is a new way of using that information to fast track a couple of things for the district. Normally, in addition to the students who are direct certified, they collect applications from all the other students who are not direct certified and determine their eligibility. There is another group of students who are eligible for free lunch based on salaries. This program proposes that it takes the number of students who are direct certified and applies a factor to it. Currently, students use their card and pin number and it registers if they received a free, reduced, or a full price meal and at the end of the month they gather that information and put in a total meal count. On the handout, he listed what the reimbursement is for each of those classes of meals. He then explained how CEP calculates the meals with the predetermined factor and noted that it also simplifies the claims process. In exchange, they have to agree to serve free meals to all students in the district every day if they so choose. At the end of the month, the district does a meal count and gets reimbursed 89% at the free rate and 11% at the subsidized rate and then the claims come out. He forecasted the first six months of actuals for the Committee and if they were to do exactly the same numbers, they would gain an additional \$27K in reimbursements. By making all students eligible, they expect that participation levels will rise so they could potentially gain additional money.

Mrs. Panchley stated that if participation increased, the return increase.

Mr. Coogan said there is potentially the middle ground where they get less for a reduced meal. He noted that he had previously spoken to the Committee about a potential for an increase in paid lunch prices to students in the coming year and this would alleviate that because all students would eat for free. In essence, they will feed more kids, the families will not pay for it, and they will put off a price increase and potentially return more money to the school lunch program.

Mr. Maynard felt it was a win-win situation.

Mr. Coogan said it seems to be.

Mr. Andrade said he was glad that Mr. Coogan brought this up because he had recently heard that New Bedford was participating in the program and he thought it sounded great.

Mrs. Panchley agreed.

MOTION: Mr. Maynard – Mrs. Panchley: To recommend this item to the full Committee.

2 were in favor

1 absent (Mr. Costa)

Motion Passed

3. FY15 Expenditure for Henry Lord renovations

Mr. Coogan explained that they had to do some modifications at Henry Lord and that bid was posted. The specs were drawn up by an architect firm. The bid had to be reposted to try to get the best price. The bids have come in and the low price on the work is \$82K. They are up against a time crunch. Mrs. Panchley had asked if they had the money for the repairs and they do have that money identified in next year's budget, however, based on the timeline submitted with the bid, it appears that the work is expected to take 6-7 weeks so it is critical that they get the work started as quickly as possible in order to have the building ready for September. In talking with Mr. Saunders, he suggested splitting the award of the contract and identify \$41K out of this year's funds to get the contractor working and then the rest of the money would come from next year's funds. The downside would be having to wait until next year's budget is put in place and set up in Munis which would be the first or second week of July. His request is that they award the contract for \$82K and to make an arrangement that would allow them to split the funding sources between the current fiscal year and next year.

Mr. Maynard thought it was a good idea to get the work started as soon as possible. He requested that the School Committee also get to do a walk through once the work is completed.

Mrs. Panchley asked where they anticipated the \$41K coming from.

Mr. Saunders said they would take it out of contractual services inside the current budget. He noted it would be a two part contract with the first installment getting the work started, demolition, supply ordering, and the second phase would be the actual installation of the materials.

Superintendent Mayo-Brown asked Mr. Saunders to direct them on how they should structure the motion.

Mr. Saunders said it was contingent upon FY15 budget approval. The award would be for \$82K and they would contract for \$41K and then do a second contract for the remaining balance.

MOTION: Mr. Maynard – Mrs. Panchley: To recommend to the Committee as a Whole that they accept the award for the \$82K contract and contract \$41K from the current school year and the remaining balance from FY15 contingent on budget approval.

2 were in favor

1 absent (Mr. Costa)

Motion Passed

4. FY15 Adjustments

Mrs. Panchley explained that they met numerous times to develop the budget and as time went by, they found that net school spending (NSS) was not what they thought when they were originally budgeting so they need to look at making some adjustments to the budget to get to the \$99M budget.

Mr. Saunders explained that they had settled on a \$97M budget and everyone knew what was included. Now they are looking at a budget of \$99M to meet NSS and have a proposal for the additional monies. He handed out a document and noted that they are looking to make an investment

in the elementary schools and went over the breakdown of what areas the money was allocated for. He noted that the mix of the \$2.4M was approximately 2/3 salaries and 1/3 investment which he added is recurring vs. no recurring money.

Mr. Maynard asked Mr. Saunders to tell him about the playgrounds.

Mr. Saunders responded that they are in need of two playgrounds – one at the Watson and one at Henry Lord that they will have to do modifications on. The placeholder is \$80K but could be anywhere up to \$100K for the playgrounds.

Mr. Andrade did not have questions but stated that he was very happy with the proposal of the new personnel for the elementary grades.

Mrs. Panchley said she is a big believer in interventionists but is wondering if that money would be better spent with putting paraprofessionals into the grade one classrooms as well due to the class sizes. She noted it would be half the price and twice as many people.

Superintendent Mayo-Brown said they could give the Committee the projections for grade one to get a sense of what the class sizes will be like across the district.

Mr. Saunders said when he listed it as K paras, he may have misnamed it and that he was really thinking the early childhood classes (K-3) depending on the size of the classrooms.

Mrs. Panchley said it would be important for her that any classrooms with 30 or more students have another person in the classroom. She felt the South End should be in good shape with the opening of Henry Lord. She would like to know the breakdown before going further.

MOTION: Mr. Maynard – Mrs. Panchley: To refer the adjustments to the full Committee.

2 were in favor	1 absent (Mr. Costa)	Motion Passed
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5. Addendum

Mrs. Panchley said there was one last item that she wanted to discuss as an addendum which was a letter Mr. Saunders drafted to Mr. Nunes regarding Munis access. She noted some of the reasons they have been told they do not have access.

Mr. Saunders said they were told it was because of an internal control issue. He added that he drafted the letter and it was discussed as to whether it should go through the school finance subcommittee or the Committee as a whole. The issue has been “where is net school spending and where are we going to be at the end of the year.” He explained that without access they will not know where the accounts are going to be until the end of the year. Mr. Nunes said they did not need that information until they do the end of the year report but Mr. Saunders did not feel that was true. He explained that they do need it at the end of the year but also need it to inform the Committee of what their financial position is as well as to know what adjustments are being made to the accounts in the middle of the year. If he does not have access to it to know what postings are going to take place, he cannot advise the School Committee on that information. He explained that the letter lays out what internal controls are supposed to be and what they have to access.

Mr. Saunders continued that he has had conversations with DESE and explained to them he is not able to monitor and effectively ask questions about expenses. Mr. Saunders said the Committee would only have one source and would be restricted to not knowing what the actual expenses were until the end of the process and then they would get into what the charges were that were made and how they would be rectified. He noted that the city has full access to the school department records and they are looking for reciprocal. He felt it would be nice if the memo was a recommendation from the school finance subcommittee to request them to review the letter. He added that the next step would be a request to DESE if that had to happen.

Mrs. Panchley assumed they needed to use a password and asked if it showed when someone logs on and off.

Mr. Saunders said he knows they are time stamped on any transactions but did not know if Munis was capable of reporting who looked at what.

Mrs. Panchley stated it was read only up until they lost access and it was just to look at it and advise the School Committee.

Mr. Saunders said that was correct. They had actually had conversations with the city over transactions and the proper way of reporting them.

Mrs. Panchley said that her experience this year has been that Mr. Saunders has been the lead person in guiding the School Committee in what NSS was going to be and if they did not have the information from him as early as they did, they would have been in the dark preparing the budget which could have resulted in a bigger deficit. She added that she was in favor of sending the letter and if that did not work out, she was in favor of going to DESE. She added that the City Council had stated that they have a signer and a co-signer for resolution to the City and that they be reinstated and she is on board for whatever they need to do.

Mr. Saunders said the letter was drafted from an accounting perspective and he noted in the letter that he feels internal control has been weakened because it has been taken away from them. The case is not necessarily that this is a strengthening of internal controls, but a weakness of it. He noted that it will go to DESE and more than likely will be reviewed by the outside auditors.

Mrs. Panchley said the outside auditors don't have any rulings over them and it would be DESE that would be able to decide.

Mr. Saunders explained that they evaluate internal controls when they do their audit of the city and if the internal controls are a weakness, they have to increase their review of those types of transactions.

Mrs. Panchley said the auditors know that the school department has had access.

Mr. Saunders said there has been a letter on every one of their end of year reports that those things have been properly audited and the expenses are correct.

Mr. Andrade said he recalls at one of the meetings when the presentation was being done by the City Administration that there was mention of an adjustment made by the city in the health care column. He asked if that would have had an impact on the school department budget.

Mr. Saunders said that he cannot view to see if that adjustment happened. He does not believe the city has ever modified their existing budget for a \$1.6-\$1.8 million dollar cost savings. He believes that there were expenses of \$40M going to the health care and in June they said the school department was responsible for \$23M of that. When they actually established a budget at that time, the school department was only responsible for \$21M. The audit trail would show that there wasn't really an adjustment to the appropriation.

Mr. Maynard asked what reason they were given for them not wanting the district to look at the figures.

Mr. Saunders said it was an internal control.

Mrs. Panchley stated they said they were tightening up their system and it just happened to be two days after one meeting and two days before the next one.

Mr. Saunders said they are not another department of the city and cannot be treated as the police or fire department because they are a separate political entity who is responsible for the education services of the City of Fall River and the budget it totally under the Committee's control whether it is the operating budget or the indirect costs. He added that they have an indirect cost agreement with the city which is different than any other department. It has to be signed by the Superintendent and the City Administrator. He added that everybody knows that these costs are educational costs and all they are asking is to have access to their own costs.

Mr. Maynard asked the Superintendent if she had any suggestions as to what they can do to make sure they give them the information they want.

Superintendent Mayo-Brown said that she agreed with the strategy that Mr. Saunders laid out with sending a formal letter/request to the city detailing the significance and importance of having internal controls. She thought it would help having the finance subcommittee co-sign the memo as well and then go from there. She thought they needed to formally document their request.

Mrs. Panchley asked if they were bringing it to the Committee on Monday or if they were they looking for a motion to send it with the finance subcommittee's okay.

MOTION: Mr. Maynard – Mrs. Panchley: To have Mr. Saunders send the memo to the City Administrator with the finance subcommittee's recommendation.

2 were in favor

1 absent (Mr. Costa)

Motion Passed

Superintendent Mayo-Brown asked if Mr. Saunders wanted to update the Committee on anything he knew about the medical insurance moving forward.

Mr. Saunders said at last Friday's meeting they were discussing the run-off, etc. and he has not received any information from that point in time and he has requested that again. He has also requested an update on cost estimates for moving to Blue Cross GIC/Premium based plans and that has not been provided either.

Mrs. Panchley stated that when they were at that meeting, the City Administrator wanted them to delay voting on the budget until they could provide the Committee with more information that was

eminent and the school district has requested it again and they still do not have it past the deadline of when they had to pass a budget.

Mr. Saunders said that was correct.

Mrs. Panchley asked if there was anything further to discuss and there was not.

MOTION: Mr. Maynard – Mrs. Panchley: To adjourn.

2 were in favor

1 absent (Mr. Costa)

Meeting adjourned at 6:30 PM.

Respectfully submitted,



Interim Administrative Assistant for
School Committee Services

Please note: A videotape/DVD of this meeting is on file in the School Committee Office and is available for review by contacting the Interim Administrative Assistant for School Committee Services.