TCGIS Finance Committee Meeting
Minutes: February 16, 2010

Attendees: Debra Haessly (Chair), Michael Dorneich, Christian Engelbrecht (GAI), Annika Fjelstad, Kim Kompel, Renee Moelders, Andrew Oxenham, Mike Shapiro (SBS), Duane Wiste, Mary Zellmer-Bruhn

A number of changes are taking place at SBS and the committee spent a few minutes discussing them. The two recently introduced contacts for TCGIS are no longer with SBS and Emily Woolsey is leaving the company February 19. Mike Shapiro, who worked with TCGIS in the fall and spring of 2008-09 will now be our representative. Concern was expressed about the turnover in School accounting support but Mr. Shapiro assured us that responsiveness, his familiarity with our budgets, and other changes at SBS, including assigning a team of three to work with the School, would result in improved service. Sandy Schmidt, president of SBS, sent an email on February 16 to clients (Treasurers and School Directors) outlining the changes.

Meeting was called to order at 6:35 pm.

First item of business was to approve January Finance Committee minutes. Mary Zellmer-Bruhn motioned to approve the meeting minutes; Michael Dorneich seconded; minutes were approved.

Mike Shapiro reviewed the January financials:

The budget is based on 190 ADM, currently the State's record shows 192 ADM. We probably have 193 right now. So we will be on target if we are spending to budget; from a cash flow standpoint, we are getting paid what we should be paid - a good position.

The projected negative cash balances to the end of FY10 are lower than predicted last month in part because our budget is at a lower ADM than actual, which makes this kind of cash flow improvement common. The cash balance will also vary depending on spending since projected disbursement costs divide remaining difference between budget and year-to-date actual expenses; in this case reflecting conservative spending.

Discussion moved to the payment register. Zellmer-Bruhn asked about the two payments to two employees of $1000 each. These were deductibles owed as our liability insurance paid all costs incurred by the employees above the $1000 deductible. Total budget implications of the uninsured period is about $1500.

Zellmer-Bruhn asked about unemployment insurance claim paid and how much of our total liability this may represent. Annika said the total as she understands we would be liable for this year would be $25,000. We are probably quite a ways toward paying that total. Discussion then ensued on our plan to self insure.

Andrew and Annika will do a bit more calculations to estimate what we ought to budget.

There is a question explaining the meaning of the net loss. Mike noted this is the current cash-basis position. For a clear picture of the budget implications at the end of the year, it is necessary to compare net income/loss with the projected hold back.

Annika is working on some special education funding clarifications that should be finished soon.

It was noticed that furniture/equipment shows up in several lines with some being overspent and others untouched. Annika says what we may call "equipment or furniture" that costs under $500 can only be coded as supplies, not furniture/equipment. The committee agreed that Annika can have discretion to spend on supplies and "use" the budgeted amounts that are sitting in furniture/equipment to "cover" that overspending in the budget for supplies in several places.

The committee then discussed that we may want to use some of the budget for equipment/furniture (particularly in the elementary where there is around $5500) this year to purchase some of the furniture we need for next year's 4th grade classroom. Annika can take a look at this and make some decisions about using some equip/furniture budget (perhaps the admin budget for this) for supplies, and others for advance purchases we need for next year if money remains which will lessen the time crunch for ordering and setting up for fall.

Discussion moved to coding questions. An example was given for field trips and how many different places that coding shows up. Committee members felt that it is difficult to understand how these expenses and revenue tie together and to reflect that the income and expenses are neutral without spending the budget elsewhere. Michael Dorneich asked Mike Shapiro if there would be a way to get a summary "report" for activities where revenue and/or expenses that are in multiple places, and Mike S said this is possible.

Mary Z-B asked a question about salaries and benefits. Benefits are usually higher because they begin being paid in July at the start of the fiscal year whereas salaries start being paid in August.

In response to a question about the food service loss, Mike S said that the food service budget can't make a very big profit or the State will "slap our wrist." The salaries/wages of any one helping with food service has to be accounted for in the expenses connected to the food service budget. Food service profits cannot be applied to fund 1, but any loss will hit the fund balance.

Need to do the same analysis for fund 04 – the Kplus program - to find out the revenue implications and ensure we are not taking a loss on the program in this financial picture.

That concluded the discussion of the January financials.

Next agenda item is FY11 budget planning.

Annika Fjelstad, Michael Dorneich, and Debra Haessly have been meeting to annotate each line of the budget. A budget tool has been produced that mirrors the documents produced by SBS and also provides a description of what is included in each line, modifiable built-in assumptions, three-year historical budget numbers, and future three-year glimpse of possible numbers, with a column for ongoing questions and issues.

Michael Dorneich shared a document he produced with budget impact and assumptions for the cost cutting considerations at the January board meeting. This document will be shared with the Board at the February meeting to help examine scenarios and outcomes to inform the budget process in terms of priorities under different budget constraints.

MZB brought up what our assumptions ought to be in building the budget – i.e. assume a budget cut? What assumptions about hold back?

The committee discussed using two scenarios to use as budgeting guidance:

- *Pessimistic:* Assume an 8.7% cut in State funding (this cut occurred last year, but was neutralized by Federal Stimulus Package funds); receive last year's 10% holdback, but not the additional 17% FY10 unallotment; assume continuation of a 27% total effective holdback into future years.

- *Optimistic:* Assume an 8.7% cut in State funding (as above); receive the full 27% effective holdback; assume a continuation of a 27% total effective holdback into future years.

The committee discussed, then agreed to propose to the board launching a search now to hire a Site Administrative Manager in FY10 using a portion of the remaining administrative consulting services budget. The assumption is that a portion of the FY10 budget will be remaining to be applied toward the new position. Annika will work to get a better picture of what is yet to be spent on mentoring and consulting so we have a better idea how much is left in that consulting line.

Debra reported on the Line of Credit from Park Midway that we anticipate needing prior to the end of the year. At Park Midway the application is annual and we must reapply every year. The loan term for charter schools (Nov through Oct) runs on a cycle tied to holdback repayments. There is a 1% origination fee; we earlier discussed a $90,000 LOC which would mean a $900 origination fee. The interest rate is prime plus 6 with a floor of 6%; currently 6.25%. We would draw what we need, as we need it, and pay interest on what we use. The loan matures at end of October and must be fully paid back at that time – repayment is tied to when state hold back payments come in. Debra will take care of the actual application; Andrew asked when that will occur. We have everything we need except for cash flow projections for 15 months from SBS. Discussed how much the LOC should be. Mike S said good practice suggests three payrolls as a minimum. In our case that would be around $150,000. If we consider that our current projections are to have a negative cash position of around $13,000 at the end of FY10, then our total cash negative balance in August would be more like $138,000. As a result, we instructed Debra to write up a resolution to present to the board at the February board meeting to secure a LOC from Park Midway Bank for $150,000.

Debra moved that the meeting be adjourned. Andrew seconded.

Meeting closed at 9:08pm.