

BFCCPS Finance Committee
Meeting Minutes
12/6/12

Attendees: Jerry Cimmino, Joe Perna, Ben Benjamin, Suzanne Graham, Matthew Dunlap, Joe Mullen, Don Tappin, Tim Tracy, Pat Fairbanks, Paul McDonough (RBC Wealth)

8:06am meeting began

Discussion of School's Investment

- Jerry introduced Paul McDonough of RBC Wealth Management Company.
- Paul discussed the investment strategy that RBC uses for the school. Basically it is a very conservative approach of investing in bank CDs and keeping an eye towards capital preservation. The investments are focused on 2-year CDs and are laddered to mature on a staggered basis.
- Paul noted that these investments do not yield high interest but are better alternatives than keeping the funds in a basic cash account.
- Paul also noted that they will spread the investments out so that no bank holds investments in excess of \$250K in the aggregate so that each investment is fully covered by FDIC insurance.
- The CDs are kept until maturity but can be sold off if the school needs cash for emergency purposes.
- It was discussed that the money that is being invested by RBC Wealth is earmarked for facility planning however it was noted that currently there is no time-table for a decision on that facility plan and when the school would need the money by
- RBC Wealth feels that interest rates will stay low until at least 2015 and the investment strategy for the school will not change over the course of the next few years
- Paul also noted that RBC Wealth has assisted other Charter Schools with obtaining financing for the purpose of facility construction and he gave out promotional material that showed some of the statistics for other Charter Schools that RBC Wealth works with

Discussion of Administrative Matter

- It was discussed that the transition phase is going well so far with Heather on maternity leave
- The minutes from the 11/2/12 meeting were approved

Financial Statement Review

- Jerry noted that there were two significant issues to review.
- Tuition line item. The discussion centered around a letter from the Commissioner's Office that noted significant cutbacks in state aid. According to the letter, the per student reimbursement rate may drop by 1.4% on average. The November financial statements show a positive tuition variance, however the drop in state aid was not factored into projections for the balance of the year.

- Marc Kenen sent an email out that stated that the drop in state aid may not impact the money already allotted to the charter schools and if there was an impact it may not be for this current fiscal year.
- It was discussed that we should take a look at last year's budget to see how the change in reimbursement rate was applied (was it applied against the actual prior year numbers or against the estimate for the current year).
- It was determined to hold off on adjusting the budget until we get more clarity around the drop in state aid and determine what type of impact, if any, it will have on the budget.
- It was noted that there is a 75k negative variance for salary and benefits line item.
 - It was discovered that the school has been under-paying state unemployment insurance for the past couple of years.
 - ADP (which is contracted through HR Knowledge to perform payroll services) made errors while setting up the school's account on their system which was the cause of the under-payment.
 - The cost of the error was \$31,400 (\$28,000 of back taxes plus penalties)
 - Budget was off due to this error and needs to be re-stated.
 - ADP has offered to pay the amount of the penalties however the school is pressing to have HR Knowledge cover more of this liability in the form of service credits
 - HR Knowledge has offered to also give the school 4 months of free service. (This amounts to be about a \$3k of savings)
 - ADP has also offered to provide the school with a 6 month interest free loan to pay back the \$28,000 of back taxes
 - Health insurance also continues to contribute to the unfavorable variance in salary and benefits as a result as discussed during our November committee meeting
 - The discussions turned to whether the school should look for another payroll service. Jerry and Suzanne noted that the school has had issues with ADP since the beginning of the relationship in 2010, such as employees still being on the insurance plan after they had left the school
 - Suzanne noted that one service HR Knowledge does provide, that not all Human Resource companies do not is MTRS which can be a time consuming project for the school to take on. If the school does shop around for HR services, this is something to keep in mind
 - Jerry noted that he has alerted the school's audit firm about the issue. The audit firm felt it was not a material issue for the financial statements and a restatement would not be necessary
- In light of the potential negative impact of a change in the tuition reimbursement rate and the issues impacting salaries and benefits, a discussion took place regarding which expenses the school might reduce to offset the negative variances
 - Advertising – Joe noted that changing to School Spring Change has helped as it helps reduced costs and focuses on a more targeted audience.

- Printing service – This is another area that the school may see savings. Suzanne noted that the credit the school received from an additional payment was incorrectly reflected on the budget.
- The salary and benefits line item was discussed again. Joe noted that there will be a potential increase of 13k to this line item due to the various personnel changes made this school year with regards to new subs being hired and with teachers out on maternity leave. Not all of these changes have been included in the budget and Joe and Suzanne will work on updating the budget to include all of the changes in school staffing that will impact the budget for the next meeting. Follow-up Items
 - With regards to the promissory note to ADP, Suzanne noted that she would prefer to pay off the note during the second half of the month to align when the school receives its monthly student reimbursement. It was noted that Joe will follow up with ADP on a payment date
 - It was discussed that the school will need to follow up with HR Knowledge
 - It was noted that the boiler issue has been taken care of by the church and has not reached out to the school about any type of payment
 - Joe noted that so far the modular roof is holding up and he is hopeful it will make it through the winter. Joe will photo document during the winter when the roof leaks
 - Jerry noted he now has the information he needs to start working on a multi-year budget projection
 - Jerry also would like to have confirmation that the information he has on the fiscal policy and procedures of the school are the most up-to-date. Ben noted he will take a look to ensure what Jerry has is most current.
 - Suzanne noted that the Foundation accounting is now up and running on Quick Books

Meeting adjourned 9:25am