

Finance Committee

Minutes

January 9, 2013

Present: John Cariati, Jon Conklin, Michael Obel-Omia, Joop Nagtegaal,

Babak Taleghani, Russell Carey, Tim More, Dave Burnham,

Richard Worrell, Kim Noble

Absent: Barrett Hazeltine

Babak Taleghani called the meeting to order at 4:09 pm.

The Committee reviewed the minutes of the November 5, 2012 meeting. Joop Nagtegaal moved that the minutes be approved. Russell Carey seconded the motion, and the minutes were approved.

The Committee reviewed the Statement of Revenues and Expenditures through 12/31/2012 and the Balance Sheet as of 12/31/2012. Jon explained that many expense balances are preliminary because the reports were run two days after the end of the period. The December 19 payroll and related liabilities are not included, nor are several material and service invoices. Jon wanted to report as of December 31 because the Current Year Forecast had been updated.

Revenues are up to date, and Jon noted that three payments have been received from the State as of December 31. He expressed concern about the lower/middle school after school program, which ran at a deficit in the previous year and seems to be on a similar track. Michael and the Program Manager were provided results of operations for the program.

Jon reported that the School underwent a Medicaid audit and that there were no significant findings. He noted that 53214 Mentoring and 53220 Other Purchased Professional Educational Services include expense entries provided by RIDE related to Race to the Top. There are offsetting revenue entries in 44501 Grants from the Federal Government. These supposedly reflect services procured by RIDE for the benefit of the School. No cash is exchanged in these quarterly transactions. The forecast for 53406 Other Services will need to be increased by \$10,000 for the high school PE program contracted with the YMCA. There will also be additional maintenance and repair expenses (later agenda item - security measures).

Jon explained that the balance in 10005 Operating Savings was high at December 31 because late in the month the third quarter payment from the State was received and a short term investment matured. With the federal budget gridlock happening in Congress during that time, short term investments would have had negative yields, so Jon waited until early January to invest the funds.

Michael and Russell gave a brief report on the strategic planning process that is being undertaken by the School. Michael noted that the timing is appropriate considering he is in his third year, there are new people in leadership positions, and several requirements related to the School's use of Race to the Top funds have been imposed by RIDE. Kristin Lehoullier, who has worked with him and the School on two other assignments over the last several years, will facilitate the effort. Russell said the process would be comprehensive and would have a 5-10 year time horizon. Michael assured committee members that financial sustainability of the School would be a major topic. They envision a committee of about 18 people and a start date of early spring.

The Budget Summary and Teacher Salary Step Schedule were distributed with meeting materials. Jon received a preliminary staffing profile for the high school for next year, and he would like to have a final step scale before he recasts the budget. HR Policy 427 Salary Administration indicates the Business Office staff and Head of School, with guidance from the HR Committee, propose changes which are approved by the Finance Committee. The HR Committee meets on January 11, but Jon asked if the Finance Committee would approve a step schedule subject to discussions by HR. Jon

explained that there are three basic alternatives: leave the scale as is, increase it by a percentage, or add a step 12 (maximum number of steps per RI General Law). Jon noted a 1.4% increase would result in \$60,000 additional salary for the existing staff, so new staff and benefits that are a function of wages would increase that amount. There are currently 15 staff members at step 11 and 7 at step 10. After much discussion, committee members agreed to support the addition of step 12 subject to discussion by the HR Committee and final decision by Michael, Alicia, and Jon.

A preliminary schedule of playground/parking lot costs was distributed with meeting materials. Jon noted that several bills have since been received, including one from the contractor for about \$150,000. Russell asked what amount was approved by the Board for costs not covered by the EPA grant.

[Addendum: \$125,000 was approved by the Board in July 2012. The total on 1/10/2013 was \$519,000. \$15,000 is expected from GZA and \$3,000 from the Steel Yard, and there will probably be additional billing from CCC. The total will be closer to \$550,000, so \$150,000 would not be covered by the EPA.]

Jon briefly described the security measures that are in place at the three school buildings. Perimeter doors are locked at all times. Cameras are located at main entrances, and visitors are buzzed in by front office staff. Staff members have electronic card keys (LS), hard

keys (MS), or electronic key fobs (HS). Compliance is now mandated and monitored at the lower school; it was not an issue at the other buildings. Approximately \$35,000 will be spent to change locksets on all classroom doors. The school building code of ten years ago called for keyholes on the outside of doors only. The new locksets will have keyholes on both sides so doors can be locked from the inside or outside of the classrooms.

At the previous meeting, Tim More asked about bank account security. A concern was whether a single person could close an account or otherwise transfer funds to a personal account. Tim was put in contact with the School's relationship manager at Citizens Bank, and she explained the controls that are in place. Tim was satisfied with the response.

The School received \$10,000 from the estate of a person who had made a pledge to the capital campaign. The balance of the pledge was written off as a bad debt three years ago, so the receipt represents a recovery of a bad debt and will be recorded as miscellaneous income. Since the intent of the original gift was for the capital campaign, Russell Carey made a motion to recommend to the Board of Trustees that \$10,000 be transferred from operating funds to Board Designated Reserve – Capital Expansion. Babak Taleghani seconded the motion, and it was approved.

Bank of New York Mellon withheld income taxes, apparently

improperly, from the September 30, 2012 debt payment to AMS LLC, and the shareholder was quite upset. The School is able to pay off the \$420,000 balance of this obligation, which has three years remaining, has an interest rate of 5%, and is in second security position behind the Citizens bank owned bond. Jon contacted the School's relationship manager at Citizens, and she said the bank would allow the School to pay the AMS LLC obligation early. Dave Burnham agreed to contact the shareholder to see if he is interested.

Jon Conklin and John Cariati met with the Citizens relationship manager and a representative from Citizens Investment Services. One item discussed was the possible sale of Citizens Bank by the RBS. The sale of Fleet Bank forced the School to change its banker, and although this has worked out very well, there is concern given the mandatory tender of the bank owned bond in October 2015 (effectively a refinancing). Jon and John were reassured of the bank's interest in financing non-profits, but in reality there is no assurance.

The next Finance Committee meeting is scheduled for March 12, 2013 at 4:00 pm.

Submitted by Jon Conklin