



**BOARD OF EDUCATION
AUDIT COMMITTEE**

Monday, March 20, 2017

5:00 PM

Franklin Room

Administrative Service Campus (Building 1)

3109 Mt. Pleasant Street

Racine, Wisconsin

Minutes

The meeting was called to order at 5:02 pm.

Committee Members In Attendance: Ms. Julie McKenna, Committee Chair; Mr. Robert Wittke, Jr., Board Clerk; Mr. Steve Hooper, Board of Education;

Others Present: Mr. Marc Duff, CFO, Dr. Lolli Haws, Superintendent; John Heckenlively, Board of Education (5:42 pm); Dr. Michael Frontier, President (5:49 pm)

Approval of Audit Committee Minutes:

- Mr. Hooper moved and Ms. McKenna seconded, to approve the minutes of the January 9, 2017 Audit Committee meeting.

Monthly Financial Update

Mr. Duff reviewed the February All Governmental Funds report, highlights include:

- The District received a dividend from Church Mutual for \$100k. This is a rebate for how well the District is performing in regard to Worker's Compensation claims. The District also received e-rate funds from the federal government due to cost sharing for telecommunications. This off-sets some of the costs from Midwest fiber (dark fiber).
- February facilities expenses– Part of the Knapp construction work was charged to the capital construction account. Once the whole project is complete, the referendum funds will be properly allocated.
- Sportsplex revenue –Dr. Haws mentioned that the revenue is off-set by SportsPlex expenses such as salaries and overhead. Some is also allocated to debt service.

- The District charges \$6 per person to use the SportsPlex during 'Open Gym'. Those dollars go to community service funds. Revenue generated by rental of courts/space at the SportsPlex (by organizations) is paid toward debt service. The District has employees on staff during SportsPlex events. Mr. Wittke asked if the SportsPlex has its own line in the accounting structure to which Mr. Duff replied, yes.
- The original forecast for medical plan costs showed that the District was on track to be \$2M over budget. Recent data from the UHC shows better news. On page 4 of the medical plan costs report, Mr. Duff highlighted that in the previous forecast, the District was on track to be at 102% while in the latest report the percentage was reduced to 99.3%. Mr. Duff indicated that the new Spousal Coordination of Benefits could be contributing to the cost savings in report. There have been some complications with UHC on how they are categorizing the District's health claims. Mr. Duff suggested exercising caution and waiting for next month's report before completely relying on the updated lower health cost. Mr. Duff speculates that the combination of low medical plan use and the implementation of Spousal Coordination of Benefits could have resulted in the lower percentage. In addition, we saw a spike in numbers for December and January which could also be the result of the implementation of Spousal Coordination of Benefits.
- If the trend continues. The District should be on trend to meet budget targets. Dr. Haws added that the District may not have dedicated carry over for next year.
- Dr. Haws asked for the total expenditure amount for the District's health care. Mr. Duff replied that it is \$42M and that \$41.9M was budgeted. Mr. Wittke asked if the budgeted amount included the clinic to which Mr. Duff replied that it did not include the clinic.
- The District currently has 2 claims that have triggered stop loss insurance. Dr. Haws stated that when someone has an enormous bill, the District has stop loss insurance that covers payments after \$200K. Mr. Duff added that the past 2 years the District has received more money back than what was paid into premiums. It is likely that the District will see a stop loss rate increase.
- Mr. Duff reviewed the gas and electric reports. Natural Gas usage was down in February from previous years while the District's electrical usage was on trend. Mr. Duff indicated that the District would most likely see a savings of \$100k in gas/electrical utility costs.
- Mr. Duff reviewed the Budget Tracking Report. Staffing adjustments are estimated to save the District \$1.5M due to the planned closure of RCLA Charter School and implementing AGR alternatives rather than SAGE class size reduction. It is estimated this will lead to 25 fewer positions. This savings is based on staffing alone and does not include building costs.
- AGR is replacing SAGE and which no longer requires class reduction. By implementing different AGR procedures, there will be a cost saving of \$500K.
- Mr. Duff reported that department budget meetings will begin soon.
- The budget tracking report still does not include inflationary costs. As an example, busing costs by contract are to increase by 2.5%. Budget balance estimates do not

include costs for compensation increases. CPI and steps and levels would cost over \$4M.

- Mr. Hooper stated that teachers at O. Brown are not happy with their furniture. Mr. Duff stated that he would speak with Mr. Hazen about following up on this concern. It was also stated that the teachers at O. Brown chose their furniture.

No public comments were made.

Mr. Hooper moved, Mr. Wittke seconded to adjourn the meeting at 5:56 pm.

Committee Members:

Julie McKenna, Chair

Steve Hooper

Robert Wittke, Jr.

Michael Frontier, Ex-Officio