

Approved by the Charlotte-
Mecklenburg Board of Education
December 12, 2006
Regular Board Meeting



Charlotte, North Carolina

October 24, 2006

**REGULAR MEETING
of the
CHARLOTTE-MECKLENBURG BOARD OF EDUCATION**

The Charlotte-Mecklenburg Board of Education held a Regular Board Meeting on October 24, 2006. The meeting began at 5:35 p.m. and was held in Room 267 of the Government Center.

Present: Joe I. White, Jr., Chairperson;
Molly Griffin, Vice-Chairperson, (District 5);
Kaye McGarry, Member At-Large;
Trent Merchant, Member At-Large;
Larry Gauvreau (District 1);
Vilma D. Leake (District 2);
Tom Tate (District 4); and
Ken Gjertsen (District 6)

Absent: George Dunlap (District 3)

Also present at the request of the Board were Dr. Peter Gorman, Superintendent; Maurice Green, Chief Operating Officer; James G. Middlebrooks, attorney with Helms Mulliss & Wicker, PLLC, representing the Board; Carole Hamrick, Manager of Board Services; and Nancy Daughtridge, Clerk to the Board.

Upon motion by Ms. Griffin, seconded by Mr. Tate, the Board voted unanimously of those present for approval to go into Closed Session for the following purposes:

- **To prevent the disclosure of information that is privileged, confidential, and not a public record; and**
- **To establish and instruct staff and attorneys concerning the position to be taken by the Board for the material terms of proposed contracts for the acquisition of real property.**

The motion was made pursuant to Sections 143-318.11(a) and 115C-402 of the North Carolina General Statutes and the Family Educational Rights and Privacy Act.

Chairperson White reconvened the Regular Board Meeting at 6:00 p.m. in Room 267 of the Government Center. CMS TV Channel 3 televised the meeting.

Present: Joe White, Chairperson;
Molly Griffin, Vice-Chairperson, (District 5);

Kaye McGarry, Member At-Large;
Trent Merchant, Member At-Large;
Larry Gauvreau (District 1);
Vilma D. Leake (District 2);
George Dunlap (District 3);
Tom Tate (District 4); and
Ken Gjertsen (District 6)

Absent: There were no absences

Also present at the request of the Board were Dr. Peter Gorman, Superintendent; Members of Executive and Senior Staffs; James G. Middlebrooks, Attorney from Helms Mulliss & Wicker, PLLC, representing the Board; Carole Hamrick, Manager of Board Services; and Nancy Daughtridge, Clerk to the Board.

I. CALL TO ORDER

Chairperson White called the meeting to order at 6:00 p.m. Chairperson White welcomed everyone to the Board's second meeting of the month which will be conducted in a Work Session format. The Board, with training from the Broad Institute, has been working on management oversight and reform measures for CMS. The Board has identified ten management systems in which they will conduct a comprehensive review over the next three years. Tonight, the Board will review the management oversight system of Finance to ensure that CMS is spending the money in the manner in which the Board designated spending with the adoption of the budget. Chairperson White said he would not enforce the 3-minute, 2-minute, and 1-minute discussion ruling for this meeting.

A. Adoption of Agenda

Ms. McGarry moved that the Board approve the adoption of the agenda, seconded by Mr. Tate, and a discussion followed. Chairperson White asked the Board to approve adding two agenda items.

As a result of discussion in Closed Session, Chairperson White asked the Board to add agenda item II.B. (Recommend approval of land purchase on Hucks Road to be used for a new elementary school and new middle school).

Mr. Tate moved, seconded by Ms. Leake, that the Board approve adding agenda item II.B. (Recommend approval of land purchase on Hucks Road to be used for a new elementary school and new middle school), and the Board voted 9-0 to approve the motion.

Chairperson White asked the Board to also add agenda item II.C. (Recommend approval for naming the stage and drama classroom at Dilworth Elementary School The Dennis Delamar Stage and Drama Classroom).

Mr. Tate moved, seconded by Ms. Griffin, that the Board approve adding agenda item

II.C. (Recommend approval of naming the stage and drama classroom at Dilworth Elementary School The Dennis Delamar Stage and Drama Classroom), and the Board voted 9-0 to approve the motion.

Ms. Griffin moved, seconded by Ms. McGarry, that the Board approve the agenda as amended, and the Board voted 9-0 to approve the motion.

II. CONSENT ITEMS

- A. Recommend approval of appointment of administrative personnel.
- B. Recommend approval of land purchase on Hucks Road to be used for a new elementary school and new middle school.
- C. Recommend approval of naming the stage and drama classroom at Dilworth Elementary School The Dennis Delamar Stage and Drama Classroom.

Chairperson White said item II.A. was not applicable as there were no recommendations for administrative personnel appointments tonight.

Ms. Leake asked that item II.C. be pulled.

Mr. Tate moved, seconded by Ms. Griffin, that the Board approve Consent Item B., and the Board voted 9-0 to approve Consent Item B.

Ms. Leake said the gym at Dilworth Elementary School is a joint-use facility with Mecklenburg County Parks and Recreation. She asked did CMS receive authorization from Parks and Recreation to name the gym at Dilworth and did the school follow Board policy for naming facilities? Dr. Gorman said the legal departments of CMS and Mecklenburg County Parks and Recreation have discussed this item and CMS has their permission and agreement for the name recommendation. Chairperson White said the précis sheet states the action was consistent with Board Policy FF, Naming Facilities, and it was recommended by the Superintendent.

Ms. Griffin moved, seconded by Mr. Dunlap, that the Board approve Consent Item II.C., and the Board voted 9-0 to approve the motion.

III. REPORTS/INFORMATION ITEMS

A. Report on Management Oversight of Finance Systems

Chairperson White called upon Dr. Gorman to present the report. Dr. Gorman said the Board has ten management oversight processes which are scheduled to be reviewed. Management oversight of the Finance Division is the first system to be reviewed. The report will be focused on the processes and integrity of the system. This is not a review of how we choose to spend money. Dr. Gorman called upon Sheila Shirley, Chief Finance Officer, to present the report. Ms. Shirley introduced Dennis Covington, Executive Director of Budget and Evaluation; Ronnie Greene, Director of Purchasing; Lu Ellen Richard, Executive Directory of Accounting; and Guy Chamberlain, Associate Superintendent for Auxiliary Services, who

would provide information for each of their financial areas. Ms. Shirley said the primary objective of the presentation is to review the operations of the Finance Division with a focus on the integrity of the system, internal controls, and best practices to ensure CMS is operating in an efficient environment. It will not discuss how CMS spends money, how it decides to spend money, what items are included in the budget, or the financial condition of the district. The presentation will provide an overview of the Finance Division; a summary of the finances and resources for which the Finance Department is responsible for managing; the integrity of the financial system including internal control processes and best practices; and performance results of the Finance Division. Ms. Shirley reported the three areas of the Finance Department are budget and evaluation, purchasing, and general accounting. The Finance Department consists of sixty-nine staff members; the overall finance division budget is \$6.9 million; the actual operating budget for the finance division is \$4.3 million; and the district operating budget is \$1.051 billion. In addition to the financial duties of the staff, the finance team is responsible for all financially related professional development within the district. This includes training for principals; annual grant managing training; annual financial secretary training; P-card training; and training on financial development processes. CMS has an operating budget of \$1,051 million and a projected student enrollment of 128,231 which equates to a budgeted per pupil cost of \$8,198 for K-12. The actual enrollment exceeded that projection and the 20th day enrollment was 129,011 which may continue to grow over the next couple of months. The three primary sources of funding for CMS are state, local, and federal. The state provides 60% of CMS funding, local or county provides 33%, and the federal provides 7%. The majority of the funding is used for salary and benefits which equates to 84%, followed by 8% for purchased services, and 6% for supplies. The majority of the funding is invested in personnel and 87% of those dollars are school-based staff. Ms. Shirley reviewed the budget increases from the 1998-1999 school year to 2006-2007 which equates to an increase of \$461.2 million (\$590 million to \$1,051 million). The majority of the increase or 52% is related to salary and benefits which are mandated by the state. The cumulative inflation index or the Consumer Price Index (CPI) was 12.7%. The salary increase for certified staff such as teachers was also 12.7%. The increase for non-certified staff such as bus drivers and central office administrative staff increased only 6.5% which has not kept pace with inflation. The budget has also increased by 33% as a result of student enrollment growth. The combined total of these two categories represent 85% of the budget increase. Ms. Shirley reviewed the revenue categories; the requirements for the usage of the funds which can limit the ability to make significant changes on how the funds are used; regulatory requirements and authoritative guidance which CMS is required to adhere to; the aligned management system; best practices checklist to ensure ethical financial management practices; and internal controls. Mr. Covington said the major functions of the Budget Department are budget development and budget management. Embedded in the process of the major functions are internal controls which allows staff confidence that the financial system's integrity is working properly. The Budget Department uses best practices to ensure the process. The primary responsibility of the Budget Department is to direct the development of the district's operating budget. The duties of the department include drafting the budget calendar; conducting the kickoff meeting; analyzing departmental requests; compiling departmental submissions; advising executive staff; responding to stakeholder questions; and publishing budget documents. This is followed by the Superintendent recommending the budget to the Board for a vote and the approved budget being submitted to the Board of County Commissioners for approval. Once the Board

adopts the budget, that budget becomes the fiscal management tool for administering and controlling expenditures throughout the organization. The adopted budget becomes the cornerstone for budget management. Budget management is the process of establishing and maintaining the necessary budgetary control to ensure that expenditures do not exceed the authorized amounts and that the expenditures are for intended, proper, and legal purposes. The Budget Department is responsible for establishing a system of control and monitoring for control compliance. Mr. Covington explained the internal controls in place to ensure the process which included position control; steps to amend a baseline item; expenditure control; encumbrance accounting; budget amendments; and monetary reporting. Budget amendments going forward will be submitted to the Board in the form of a report and not as a part of the consent agenda. Mr. Covington said it is evident the Budget Department utilizes best practice processes such as the development of written procedures for critical finance related processes; internal controls; an annual budget linked to the strategic plan; providing understandable information to users; an adopted financial budget that serves as an estimate of control over expenditures and operations; an adequate financial system (Lawson) that provides useful, timely, and accurate information; and the preparation and distribution of regular financial reports. Methods that indicate internal controls are working include the adopted operating budget, external audits reflect funds are spent according to all governing rules and regulations, and most importantly, CMS does not overspend the adopted budget. Mr. Greene said the procurement department responsibilities include all purchases of goods and services, excluding construction. This includes ensuring the goods and services are of acceptable quality and performance required at prices that are fair, competitive, and reasonable. The primary duty is to ensure that CMS gets maximum benefits for the students with the school system's money. The Procurement Department is accountable for spending large amounts of money but they are also instrumental in saving CMS large amounts of money. The Procurement Department is focused on managed-value. If managed correctly, value and competition produces benefits such as bottom-line savings, reduces budgetary constraints or stretches the budget, and justifies the need for the procurement service. The department has a responsibility that involves stewardship and accountability to the taxpayer. CMS has controls in place that develops confidence and transparency in the process. The controls include governed by North Carolina General Statutes; internal policies and procedures; advertising and publicizing requirements; and yielding the process to the public to be scrutinized. The result is CMS has a sanitized evaluation and outcome. Mr. Greene reviewed the bid and bid protest process; issuing purchase orders; Board policy on conflicts of interest which covers acceptable conduct, disclosure of financial interest, relatives and acquaintances, making contracts, developing specifications, awarding of contracts, pecuniary interest, gifts, and outside employment; employees signing a confidentiality certificate which certifies the employee will not disclose information, contact vendors, and they do not have any relationship or pecuniary interest with any vendor; and vendor application process. The control process also includes funds being systematically double checked for availability prior to the purchase commitment, once in budget and then again prior to procurement releasing the purchase order. The process also utilizes bid management schedules, annual calendars, and prescreening. Mr. Greene reported the CMS purchasing website averages ninety-seven visits per day and 24,000 visits annually. This is an indicator that good information and outreach initiatives are unifying all CMS procurement efforts and promotes total transparency. Strategic controls are in place to ensure alignment with best practices for financial management. Core areas of value include price;

quality of the articles; reputation and performance capabilities of the bidders; conformity with specifications; suitability of the articles for the intended use; the personal related service needed; transportation charges; the dates of delivery and performance; warranties; and such other factors deemed pertinent or peculiar to the purchase. CMS has buying power for volume because it issues 38,000 purchase orders and 21,000 procurement transactions annually. CMS manages nearly \$1.3 million per day in procurement-related expenditures and, in the last two fiscal years, procurement spending has equaled to \$673 million which includes operating and capital expenditures. How does CMS effectively spend these amounts of money? The Procurement Department has both a centralized and decentralized structure which has allowed CMS to obtain an efficient and effective equilibrium. This is a work in progress. Procurement staffs centrally and strategically control 50% of the procurement volume and, in a decentralized manner, schools and departments also manage 50% of the volume. Procurement staffs also centrally and strategically control 98.65% of the procurement spending while schools control 1.35% of procurement spending. Buying power is leveraged through competitive bidding techniques to include cost containment measures and reverse auctions, negotiation techniques, and value-added services. Mr. Greene said utilizing these strategies has allowed CMS to have the best copying program in North Carolina if not the nation. Procurement negotiated the lowest cost per copy rate in North Carolina at one cent per copy and it goes as low as seven tenths of one cent per copy based upon our volume. In comparison to the second lowest school system rate, our program would cost \$200,000 more at their rate. In comparison to the highest school system rate, our program would cost over \$3 million more annually at their rate. The current copying program does not include maintenance agreements. The former program averaged \$862,000 annually. The new plan has no supply costs. The former program averaged \$658,000 annually. CMS is professionally administering one contract instead of over 900 contracts. The supplier is currently completing a system-wide injection of equipment at a value of \$4.5 million at their cost. The program is a ten-year agreement that also includes free fax equipment and supplies at all locations. The annual savings generated from this one contract pays for the annual cost of procurement functions at CMS. Staff has also taken state contracts and leveraged those prices down further. An example of this would be furniture. Staff negotiated an additional discount below the state contract price which saved CMS \$240,000. CMS will conduct a reverse auction on November 30th for mobile units and the anticipated savings on one hundred plus mobiles will conservatively be between \$200,000 and \$400,000 or 5% to 10%. An example of a value added service is CMS bid student accident insurance for parents and, in the past two years, CMS has saved parents 6% on the cost of the premium. How does the Board know procurement is effective? The department is accountable to the Board and the Superintendent and both are accountable to the taxpayers. It is important that the Board and the taxpayers have complete confidence that the procurement department is working in their best interests. As long as the procurement department can justify their procurement decisions to the public they will always be justifiable to the Board and anyone else. The Board has not had to resolve a procurement matter in at least six years. Handling procurement matters to the satisfaction of our suppliers and the public without Board involvement is very positive. The focus in Procurement Department is to operate in a manner "above reproach." Mr. Greene said if this were not true, the Board would know. Ms. Richard reviewed the general accounting area. The general accounting area processes the transactions that someone else has approved. It consists of three functional areas. The Accounts Payable Department processes payments to vendors in

accordance with state and federal regulations. The Payroll Department processes payments to all CMS employees that includes remitting the taxes and deductions that are taken out of those checks. The General Accounting Department compiles the monthly financial report; performs audits on schools; performs audits on business processes in various departments; maintains a capital asset for the district; monitors cash investments; and reconciles Bond payment transactions with the County. The department utilizes several tools to provide guidance and monitor the performance of the district. These include the yellow book which is used by schools to monitor their financial accounting procedures that includes references to state statutes and Board regulations; the blue book which provides guidance and practical reference for governmental accounting; and Board policies and state statutes within which the district must perform. Banking relationships are reviewed on a regular basis, they are brought before the Board on an annual basis for approval, and bid out periodically. In the accounts payable area, the Lawson Program utilizes a three-way match system for payments. The three items that must match prior to a payment being made are the quantities and dollars of the purchase order, the quantities and dollars inputted into Lawson by the receiving department, and the quantities and dollars on the invoice from the vendor. This has caused some delays in vendor payments but encouraging employees to promptly receive items in Lawson has greatly improved this area. This system is instrumental in ensuring accuracy in major expenses such as utility bills, payroll, and employee health insurance payments. Ms. Richard reviewed the internal controls in place to support best practices to monitor capital assets, grant funding, and debt management; risk management; financial accounting system or Lawson which provides documented information; financial reporting and monitoring; and annual external audit. Ms. Richard said North Carolina State Statute does not require financial statements to be approved by the Board. Previously, financial statements were presented to the Board at Regular Board meetings as a consent agenda item but in the future they will be presented to the Board as a report item. Ms. Richard said the General Accounting Department has adequate internal controls in place which include reviews cash management activities; reviews investment objectives to maximize returns; analyzes significant expenditure processes; established an effective management of capital assets; utilizes an adequate financial system that collects data; developed written procedures for critical financial processes; financial staff prepares and distributes reports on a timely basis; proactively responds to and corrects identified internal control weaknesses; an effective internal audit function; ensures audits of internal funds are performed on a timely basis; and receives an annual external audit that is used to improve operations. Mr. Chamberlain reviewed Capital Program Financial Management to include program management; project controls; quality assurance; and documentation reporting. The Program Management function will be discussed in detail in November. Program Management is the overall management of a construction program. The components of the program are individual projects. In a particular project, there is a process that is followed which includes planning the project; programming or setting up the funds for the project so that the project can be built; designing the project; constructing the project; and closing the project to occupy the building. Definitive processes are in place for each of those phases of a project. The Martin Committee suggested a series of recommendations which included CMS should review how they build and what they build with the objective of obtaining a ten percent cost reduction. Mr. Chamberlain will be presenting a report to the Superintendent that will start that process. Mr. Chamberlain said, in reality, we have been doing that all along. The website for the Department of Public Instruction indicates in 2005 the average cost per seat at

an elementary school in CMS was \$14,900 whereas the average cost per seat statewide was \$19,130. The average cost for a high school seat in CMS was \$23,000 compared to a statewide cost of \$27,000. In 2004, the average high school cost per seat in CMS was \$18,000 compared to \$23,000 statewide and the average middle school per seat cost in CMS was \$16,000 compared to almost \$20,000 statewide. Mr. Chamberlain said although CMS is still searching to lower costs, our costs are not out-of-line relative to other districts in the state. Mr. Chamberlain reviewed bid strategies, Construction Management At-Risk contract, and other owner-friendly contracts used by CMS. CMS utilizes methods to manage projects such as a computer management system called Prolong which manages schedules and finances of a project and a prescriptive pay application process. Other control systems in place include review by the Bond Oversight Committee and Harry Weatherly, County Budget Director, and third party quality inspections. Ms. Shirley said there are many controls in place and there is evidence that best practices are being utilized effectively. Ms. Shirley reviewed efficiency and effectiveness performance results for CMS. A discussion with Board members followed. Mr. Dunlap suggested Board members limit their questions to items that are important to everyone at this meeting and individual questions could be submitted for a response at a later time. Ms. Leake said she would like information on the cost per seat, the amount of money in the High School Challenge, the costs for senior staffs, and the selections of banks. Dr. Gorman said questions regarding the High School Challenge would not be pertinent to this topic and he would be glad to answer those questions off-line.

Mr. Gauvreau and Mr. Gjertsen left the Regular Board Meeting at 8:00 p.m.

Ms. Griffin thanked staff for an informative presentation. Ms. Griffin said the report included a comparison study with non-school systems. She asked to be provided comparative information on how CMS compares with other school systems. Ms. Shirley will provide that information at a later time. Ms. Griffin said the comparative data looks good. She asked is this representative of how well CMS performs or was pertinent information left out because CMS performed poorly in those areas? Ms. Shirley said no items were left out because CMS performed poorly in those areas. To her knowledge, all high level measures were included in the report. Mr. Merchant asked what are the criteria for selecting benchmarks and sources for comparisons? He has seen CMS data compared to both private and public entities, schools, and government entities. He asked has CMS selected key indicators and tracked them over a long period of time? Ms. Shirley said the Finance Department has not compared itself to a particular group of business organizations because that data can be difficult to get unless there is a source that has it compiled by a research firm to make it comparable. This comparison was selected because it had a wide range of companies combined to be considered a good target. Periodically, staff has compiled comparison data with large school districts and districts with similar demographics. The only school district similar to CMS in North Carolina is Wake County. It is generally difficult to find a contact person at other school districts with the time to provide CMS data on staffing, accounting dollars, and supplies. Data sources are selected based on comparable size and demographics. Ms. Leake commended the department for efficiently handling the financial statements and utilizing the funds received from local, state, and federal agencies. Ms. Leake believes the community should feel comfortable that CMS is fiscally responsible and is not bloated. She said employees are pleased with the payroll system and are appreciative that they get paid on time. She said she has some concerns about the Lawson system but will address them at another time. She would like other banking

institutions, especially the black community banks, to have an opportunity to be competitive for the banking needs of CMS. Ms. Shirley said all CMS schools have the opportunity to choose any bank that is close them. All banks have the ability to bid on the CMS banking business. As an efficient practice, it is best to have only one bank account for the core business piece. Ms. Leake expressed concern that the majority of the banking business is given to the large banks because CMS serves the whole community. Mr. Tate thanked staff for the informative presentation. He asked regarding the budget, does the information provided fit together with the Board's Vision, Mission, Core Beliefs, and Theory of Action? Ms. Shirley said the information provided includes an aligned management system which starts at the top. The Board established its Vision, Mission, Core Beliefs, and Theory of Action, and the budget is aligned to those components. Mr. Tate asked is it correct that two people must sign-off on each item that gets paid. Ms. Shirley replied, yes, the requisitioner and the approver must sign-off on each item. Mr. Tate asked should CMS move to a decentralized school system, how will that affect the financial operations as that talks about spending near the school level and this information indicates centralized bidding has saved CMS lots of money? Dr. Gorman said audit and internal controls are never decentralized as that always needs to be a tightly held piece of the financial department. The components that will be decentralized will be determined on how the system will be set up. Decentralization includes responsiveness and fiscal accountability. To decentralize the system and have it increase costs would be a mistake. Decentralization would not necessarily mean that every school would be on their own for all services and cost items. The system would still research the best providers for items and negotiate bulk rate costs. Some items may be able to be decentralized. Ms. Shirley said it would be beneficial to have the centralized area to focus on those big dollar purchases that everyone will need. Once that item has been bid and the price has been established, CMS allows the schools and departments to issue requisitions and purchases to certain thresholds on demand. This will need to be balanced to ensure the best prices are in place. Mr. Merchant said the Citizens' Task Force recommended outsourcing certain functions. What processes are in place to evaluate the potential return or potential cost-savings of outsourcing a particular function versus performing it in-house? Ms. Shirley said most of the areas that involve an outsourcing option are part of auxiliary services and she invited Guy Chamberlain, Associate Superintendent for Auxiliary Services, to answer the question. Mr. Chamberlain said this involves two levels. He believes there is a perfect mix of in-house performance and outsource performance. CMS has not achieved this but it is taken into consideration. Currently, CMS outsources items that we do not perform well; we are unable to obtain staff to complete; and mechanical system maintenance and adjustments. The Task Force did recommend outsourcing higher functions but he does not know if that it is necessarily a good idea. His staff has researched how CMS performs to other school districts and the private sector. Over the last year, staff has performed an introspective review of each of our business functions. Staff identified benchmarks to be measured against for each area. Staff canvassed the hundred largest school districts and received about a 40% response. Staff identified who performed well, who did not perform well, and what benchmarks they used. As a comparison, staff also reviewed benchmarks that are used in the private sector, particularly regarding maintenance and managing facilities. This process has provided very good data. As a next step, consultants were employed to review how CMS performs and make recommendations for improvements. Staff has developed a draft business improvement plan for transportation, building services, child nutrition, and inventory and warehouse which will

be shared with the Superintendent and Chief Operating Officer soon. The Task Force recommended that transportation be reviewed first for outsourcing with the objective of implementing that in 2007. Mr. Chamberlain does not recommend starting with transportation and suggested an easier area be considered first. Research revealed that the public school districts across the country that chose to outsource a function entirely were because the particular in-house function did not work. CMS does not have the case that its business functions are not working. Some work better than others. Transportation is the most challenged but there are reasons for that. CMS has 46,000 bus stops for 86,000 riders which is less than a 2:1 ratio per bus stop. The Superintendent has directed staff to reduce that number. Staff is reviewing the transportation area to identify problem areas which includes that the Magnet Program requires many individual stops in subdivisions. Other items that are being evaluated are the service level that we provide may be unobtainable with the workforce that we have and the program costs. A risk that must be considered for outsourcing an entire function such as child nutrition or transportation is should that business fail it will have to be returned in-house. Mr. Chamberlain said he has heard horror stories about this happening. All departments have identified segments or easily specified elements of work that can be contracted out. CMS contracts out a lot of work but does not do a wholesale contracting out of any particular function. Mr. Chamberlain believes the functions should be taken one at a time. Staff is almost in a position that they would be prepared should the Board and Superintendent decide to proceed with this option. Mr. Dunlap thanked staff for the presentation. He feels confident that CMS has a good process in place. Mr. Dunlap said he hoped that Dr. Gorman heard that there was only a 6.5% salary increase over five years for non-certified workers such as secretarial, cafeteria workers, painters, and bus drivers compared to the salary increase for teachers at 12.7% and the cost of living increase. Mr. Dunlap expressed concern that this sends a message and may make some employees feel they are being devalued. He asked that non-certified salaries be reviewed during the budgeting process. He asked why does the in-house process allow schools to have the choice of using the Lawson system or the old system? Ms. Shirley said the schools are responsible for expensing the software which is about \$500 and maintaining the annual maintenance fees as this has not been a district-budgeted item. We have tried to resist forcing the schools to use their money to buy that item as well as forcing the school's secretary into possibly a less comfortable environment for maintaining those records. There are less than twenty schools that have not converted to the Lawson system. Ms. Richard said at this year's secretary's conference, it was suggested that the schools use an Excel format which was created by our accountants at no cost to the schools. This will provide a better tool for them to use and allows consistency in auditing. It was also recommended that by the end of this fiscal year that they buy the Lawson software. Mr. Dunlap asked with the frequent change of technology and the potential of a reduction in costs, why would a ten-year agreement be considered a best practice? Mr. Greene said the copier contract is a five-year contract with an option to renew. The option included that all fax and copying machines would be replaced with the new equipment. Approximately 85% of all the school systems are now under contract with this supplier and CMS is ranked number one in the state on the rate. Mr. Dunlap said regarding the budgeting process, he has often suggested that Board members should provide their input on the budget prior to the Superintendent making his recommendation to the community. This would help make the process very clear and would lessen the sense of disagreement between the Board and the Superintendent in the budgeting process. Ms. Shirley said the process has not been as robust as she would like. A

worksheet is provided to all Board members in December or January to allow them an opportunity to provide input long before the budget goes to the executive staff review level. The current budget is developed to be aligned with the Board's Theory of Action whereas previously it was aligned with the Board's Goals and Objectives that were established. Ms. Shirley said the worksheet provided to the Board members has produced little results. Mr. Dunlap said he would like for the Board members to understand that is the time for them to provide input for budget considerations. Ms. Shirley noted that Dr. Gorman may have a different rollout process this year. Ms. McGarry said this is exciting and thanked staff for the presentation. She said this is a good starting point for the budget season. She noted she met with Dr. Gorman and Ms. Shirley and her questions were answered at that time. She understands the process and integrity of the system. Ms. McGarry said the information references that 87% of personnel are school-based staff. What is school-based staff and how many of those are teachers in the classroom? Ms. Shirley said she did not separate the calculation based on the teachers in the classroom. The information indicates that 84% of the total operating budget is spent on personnel and 87% of those dollars are spent on school-based personnel. These are positions that are actually based or housed at a school location. Chairperson White thanked staff for the presentation. He was pleased to note that the average CMS cost per pupil was approximately \$8,200 which was in line when compared to the average of all the school districts of the Council of Great City Schools. He commended staff for saving money by utilizing the reverse auction. He suggested that CMS join with the City and the County in exploring cost savings by utilizing a reverse auction in buying such items as paper together. Mr. Merchant asked where are the savings for better procurement practices applied? Mr. Greene said his role in procurement is basically a budget stretcher and he does not get involved with where the savings go. Ms. Shirley said for the school or department that is saving the money allows them a greater purchasing power to use those funds to purchase other items. Mr. Merchant said are the funds kept in the same area so those managers are rewarded for promoting efficient practices? Ms. Shirley replied, yes. Mr. Merchant said there were certified and non-certified salary increases in the budget from 1998-1999 school year to the 2006-2007 school year. In the presentation, the example was given for 2001-2006 which was a smaller window. He said to establish a consistency and a true comparison, he would like to be provided the numbers from 1998 to 2007. Ms. Shirley said she would go back as far as possible because she would have to get the salary increases from the state and the CPI for those years. Ms. Shirley said she began employment with CMS in 2001 and she has that data in her files. Mr. Merchant wants to ensure that the employees and the public know that the adjustments made this year helped to catch the salaries up. He asked to be provided the information prior to 2001. Ms. McGarry said she would also like to receive that same information. Ms. Griffin noted that prior to 2001, the state, by the action of legislature and the governor, has focused on raising the salaries for teachers to the national average. Ms. Leake noted that it also includes a supplement provided by the County. Ms. Leake asked regarding budget management and the funds that are reverted back to the state, were there also funds that reverted back to the federal government? Ms. Shirley said staff did not have that information available and it was excluded but staff has since pulled that information. Ms. Shirley said historically, federal money is more difficult to track because their period ends on several different dates. CMS is putting a process in place to better track this information. In the 2003-2004 fiscal year, federal funds were reverted. In the 2004-2005 school year, \$60,055.02 was reverted for the 21st Century Grant. This was an afterschool initiative that was specific to

certain sites. If the funding was not used at the specific site it had to be returned because it could not be transferred to other sites. Primarily, the funding was not used because the positions could not be used in a timely manner. In the 2005-2006 school year, \$1,925.74 was reverted to the federal government out of \$75.6 million. This was funding for the Teaching American History Grant. Ms. Leake expressed concern about the amount of money being reverted to the state, especially when we say we need money to meet the needs of children. Ms. Shirley said some of the reverted funding was a result of teachers leaving the system prior to the end of the school year and not allowing enough time to make adjustments. Ms. Leake asked regarding state requirements, are we still required to purchase given items from the state? Ms. Shirley said the district is no longer required to make purchases from the state contract. Mr. Greene said the law changed over a year ago. We are no longer under the state control but we continue to communicate with them as they are a great resource for having established contracts which we use as a target. Mr. Dunlap said two years ago after the Board had adopted its budget, the County requested that funding be returned. He asked what has been put in place to insulate the budget in the event this should happen again? Ms. Shirley said when that happened, the adopted budget was reviewed to identify expenditures that would not take place that year. Ms. Shirley said should this happen again, the same process would take place unless the reduction was within the undesignated unreserved fund balance, and the Board and the Superintendent could decide to appropriate funds equivalent to that reduction. Mr. Dunlap said as a result of returning the funding to the County, we were unable to determine if the Board's financial objectives were met or not met for that year. Mr. Dunlap suggested a process be put in place that will allow the Superintendent to be able to meet the goals and objectives he is accountable for should this happen again. Dr. Gorman thanked the Board for their questions and spending three hours on the integrity of the Financial system. He thanked the Finance Department for their excellent work on a daily basis and presenting a thorough Work Session.

ADJOURNMENT

Mr. Dunlap moved that the Board adjourn the Regular Board meeting, seconded by Mr. Tate, and by consensus, the Board agreed to adjourn the meeting.

The Regular School Board Meeting adjourned at 8:52 p.m.

Chairperson, Joe. I. White, Jr.

Clerk to the Board, Nancy Daughtridge