



**August 3**

**2020**

## **REPORT OF THE FINANCE COMMITTEE**

The Finance Committee met on Thursday, July 23, 2020 at 1:30 PM in the Rosa E. Blackwell Interactive Learning Center, located at 2651 Burnet Avenue, 45219.

The public viewed the meeting via Video Conference.

### **ATTENDEES**

#### Finance Committee Members

Chairperson Eve Bolton, Melanie Bates – *in Person*

Ben Lindy – *via Video*

#### Administrators – in Person

Jennifer Wagner, Treasurer/CFO; Dan Hoying, General Counsel; Paul McDole, Director of Human Resources;

#### Administrators – via Video

Kevin Ashley, Director of Financial Reporting; Vera Brooks, Director of Early Childhood; Robin Brandon, Director of Facilities; Lauren Roberts, Director of Internal Audit; Stephanie Scott, Assistant General Counsel

#### Cincinnati Preschool Promise

Hector Polanco, Finance Director – *via video*

### **Audit Management Letter Topics Such as STRS, SERS Vendor vs. Employees**

Paul McDole, Director of Human Resources, discussed with the Committee the topic of contractors versus employees and the importance of correctly classifying an individual as one or the other. He reported a team has been assembled and a form created to assist in making the correct determination.

He also reported to the Committee that there have been situations where employees were paying into the wrong retirement system. This is typically due to employee transfers to different positions. Human Resources is building in a review process to correct these situations from happening. They are also working on creating documented processes and procedures to address the issues raised in the Management Letter.

### **2020 Transportation Contracts in Light of Return to School Plans, New ODE Statement Regarding Transporting Non-CPS Students**

Last school year the transportation services were a continuing critical problem for all and extremely expensive. This year, social distancing, the need for COVID monitoring, additional personnel on buses, and limited buses and drivers have complicated the District's greatest service challenge.

Dan Hoying, General Counsel, presented an update on the Transportation Department's efforts to meet this year's challenges.

- Different service contracts are being developed
- A wider range of vendors
- Staggered arrival and departure times
- Double routing
- The District has encouraged families if possible to provide their own transportation
- At the first return to school, only one half of the student body will be present

Committee Member Bates raised the issue of city-wide and high schools of choice and magnets complicate providing additional safety. Safety is compromised due to students traveling throughout the District.

Chairperson Bolton suggested that the Superintendent's and Board's position regarding the Growth Goal from the Strategic Plan be brought back to the Board's agenda and the development of the Geographic Reorganization of the District be expedited for the 2021- 2022 School Year. Committee Member Lindy expressed some concern that the neighborhood configuration would need to be discussed further.

It was also assigned that the Administration provide to the full Board a presentation on District Transportation in August.

Chairperson Bolton also asked Mr. Hoying to share the District's views on the law and new ODE position on providing transportation to Charter, Parochial, and Private schools as well.

Due to the newly published ODE position, the Chair again asked Mr. Hoying about the District's obligation to transport. ODE's most recent position has been that regardless of the District's planned schedule, the District has to transport non-CPS students according to the other non-CPS school's schedule. Again, Mr. Hoying offered that transport would be according to the CPS schedule and that the established rule and practice has been the requirement to provide only equivalent services rendered for CPS students.

### **Mozart Renovations**

Vera Brooks, Director of Early Childhood, reported to the Committee that the licensing process for the August opening has already started, as well as the enrollment process into the site. Also, the Office of Communications and Engagement is working to get the word out regarding the new location and the registration hub.

Robin Brandon, Director of Facilities, updated the Committee on the renovations, which are moving quickly using the Cincinnati Preschool Promise (CPP) expansion funds. Everything will be child friendly and typical to district standards with regards to security, entrances, playgrounds, and upgrades. The site will be ready at the beginning of the school year.

The budget for the renovation is \$830,000 and the project is expected to come in under budget, due to the fact that the previous owner had done \$1 million upgrades on the property.

Chairperson Bolton inquired further regarding the safety and privacy of the play area and access/egress flow. Ms. Brandon assured the Committee that the action had taken place to provide both safety and privacy.

## **FY 2021 Budget Progress and Closeout FY 2020**

Treasurer Wagner updated the Committee on the FY2021 Budget Progress.

- BOE adopted revised “return to school model” – July 13, 2020
- May Five-Year Forecast set allowable General Fund budget target not to exceed \$625M (FY21)
- Budget must be adopted and filed by Hamilton County Budget Commission before October 1, 2020
- Target date for adoption – September 14, 2020

Following are Budget Development Milestones.

July 21, 2020:	New File Created in OpenGov
July 23, 2020:	Finance Committee Meeting – 1:30 pm
July 24, 2020:	Staffing Updates Completed in BusinessPLUS
August 3, 2020:	Revised Budget Review – Performance Leadership Team
August 17, 2020:	First Public Presentation – 6:30 pm
August 20, 2020:	Finance Committee Review – 1:30 pm
September 2, 2020:	Second Public Presentation – 4:00 pm
September 14, 2020:	Final Presentation and Recommendation for Adoption – 6:30 pm

For the FY 2020 Closeout, Treasurer Wagner presented the following to the Committee.

<b>Revenues</b>	<b>FY20 Budget</b>	<b>May Forecast</b>	<b>Change</b>	<b>Draft Actual</b>	<b>May vs Actual</b>
Real Estate Tax	281,433,363	281,433,364	1	281,433,363	(1)
Personal Property Tax	37,703,724	37,703,724	(0)	37,703,724	0
Unrestricted Grants In Aid	181,799,459	183,729,695	1,930,236	183,816,231	86,536
Restricted Grants in Aid	23,050,000	22,794,584	(255,416)	22,999,813	205,229
Property Tax Allocation	28,495,116	25,189,555	(3,305,561)	25,189,556	1
All Other Operating Revenue	53,932,777	32,150,486	(21,782,291)	39,563,649	7,413,163
Operating Transfers In	4,376,878	9,376,878	5,000,000	10,196,034	819,156
Advances In	16,000,000	3,100,000	(12,900,000)	3,100,000	-
All Other Financing Sources	11,121,076	8,717,078	(2,403,998)	8,688,767	(28,311)
Total	637,912,394	604,195,364	(33,717,030)	612,691,138	8,495,774
Total w/o Advances	621,912,394	601,095,364	(20,817,030)	609,591,138	8,495,774
Percent of May forecast					1.4% 98.6%

**FY20 Closing**

Notes: Cincinnati TIF payment received in June, forecasted in July; Medicaid reimbursement \$800K higher than forecasted

Expenses	Budget	May Forecast	Change	Draft Actual	May vs Actual
Personnel Services	129,024,722	127,646,093	1,378,629	127,017,139	(628,954)
Employee Retirement/Insurance	43,446,618	41,340,788	2,105,830	41,518,891	178,103
Purchased Services	228,696,733	199,732,589	28,964,144	194,254,001	(5,478,588)
Supplies and Materials	23,944,388	15,773,043	8,171,345	15,215,187	(557,856)
Capital Outlay	9,574,830	6,111,281	3,463,549	5,843,103	(268,178)
Other Objects	6,887,692	6,083,548	804,144	6,113,237	29,689
Operating Transfers - Out	235,073,624	224,130,664	10,942,960	231,801,408	7,670,744
Advances - Out	-	3,100,000	(3,100,000)	9,262,000	6,162,000
All Other Financing Uses	376	1,188	(812)	876	(312)
Total	676,648,982	623,919,194	52,729,788	631,025,841	7,106,647
Expenses without advances	676,648,982	620,819,194	55,829,788	621,763,841	944,647
Percent of May Forecast					0.15% 99.85%

## FY20 Closing

Notes: Budget Column includes prior encumbrance carryover \$14M; Transfer in Actual includes 2 yrs of CPP tuition assistance journal adjustment for CPS portion; purchase services reduction delays in paying invoices due to COVID closure.

CASH	FY20 Budget	May Forecast	FY20 Draft Actual
Beginning Cash	126,292,257	126,292,257	126,292,257
Revenues w/o Advances	+621,912,394	+601,095,364	+609,591,138
Expenses w/o Advances	-676,648,982	-620,819,194	-621,763,841
Ending Cash	71,555,668	106,568,427	114,119,553
Encumbrances	-	-12,500,000	-29,579,689
Unencumbered Cash	71,555,668	94,068,427	84,539,865

Note: FY20 Encumbrances are abnormally high due to delays in receiving, approving and processing of invoices due to closure, expenses not to be realized,.

Canceling outstanding encumbrances process underway

Transportation \$9M, Tuition \$5M, \$4.2M related to FY21 ordering

## FY20 Closing

Chairperson Bolton suggested that it would be important for the Treasurer to address the Cash Carry Over/the Closing Cash Balance and the available monies in simple terms as there will be questions considering the interest in the District Budget, RIFs, and the additional costs and savings due to COVID.

Treasurer Wagner pointed out the following:

- In order to move forward with FY21, FY20 must be closed; it is anticipated this will be done by August 3, 2020.
- FY20 – ended up with more revenue than forecast in May, but it was still below budgeted amount.
- FY20 – expenses working budget was \$676 million and was reduced down by approximately \$50 million for the May Forecast; however, still closed out the year off by about \$1 million.
- Purchase Orders – could still be a real savings here as cancelling of outstanding encumbrances process is currently underway.
- TIF funds – were received early and increased revenue for FY20, but will have to decrease the revenue for FY21.

### **Discussion about Lessons Learned about Processes and Practices During Covid 19 and Possible New Financial Policies**

The following *Lessons Learned* were presented to the Committee by Treasurer Wagner.

- Payroll
  - Time and leave reporting
  - Convert from “batch reporting” to individual employee reporting
- Vendor payments
  - Invoices and incomplete requisitions
  - Remote work environment – recentralize procurement and invoice processing
- Paper-based forms
  - Delays in processing and approvals
  - Speed up conversion to online forms
  - Personnel Requisitions, Schedule E, Stipends, Application for Professional Development
- Impact to Financial Management
  - Forecast Accuracy
  - Budget to Actual Analysis
  - Spending Compliance

Chairperson Bolton questioned if any of these would require changes to Board policies. Depending upon the timing, some may and Treasurer Wagner will keep the Board updated as necessary if approval of any changes is required.

Committee member Lindy shared that he thinks much of the success of this next school year is going to depend upon the school principals. He pointed out that there was some evidence of this with the variation in what was seen building by building for the end of last school year. He suggested the creation of a fund for awards to be given to principals that really rally their schools. The proposed total would be \$350,000 with individual awards ranging from \$5,000 to \$25,000.

Treasurer Wagner suggested it may not qualify as Proper Public Purpose because it sounds like a performance bonus. She will, though, research Mr. Lindy’s idea.

Ms. Bolton suggested checking with Talent Development; however, Mrs. Wagner reported that most of their grant money is for improving teacher development.

### Grants Review of Projected vs. Actual and Impact on 2021 Budget

	FY20 Allocations	Carryover & Additional	FY20 Revised Allocation	FY21 (projected)	FY21 Allocations
Consolidated	46,385,766.39	9,566,511.39	55,952,277.78	63,752,687.19	67,804,526.49
Entitlement Grants	4,106,225.92	2,256.75	4,108,482.67	3,583,333.85	3,351,564.47
Competitive Grants	3,657,341.16	857,785.27	4,515,126.43	3,567,661.00	3,609,496.16
Non-CCIP	22,892,877.26	4,708.37	22,897,585.63	24,972,800.08	26,007,728.00
Total	77,042,210.73	10,431,261.78	87,473,472.51	95,876,482.12	100,773,315.12
					+23,731,104 (FY20 Orig)

Note: Auxiliary \$10M, NP Title \$6.4M \$, Cares \$7.1M = \$14.6M (14.5%)

Student Wellness FY20= \$8.6M, FY21= \$12.1M  
 CARES Act FY20=\$0, FY21 = \$23.6M

## FY21 Grants Review

### Cares Act Appropriations and Budget Impact

Category	FY20	FY21	Combined
Summer learning	715,224.99	317,000.00	1,032,224.99
Return to School Planning	870,480.00	416,355.00	1,286,835.00
Expanded Technology	1,894,250.00	423,000.00	2,317,250.00
Supplies (COVID related)	582,626.00	4,832,863.08	5,415,489.08
Bus Monitors	-	4,800,000.00	4,800,000.00
Electricity for ventilation	-	1,600,000.00	1,600,000.00
<b>Total</b>	<b>4,062,580.99</b>	<b>12,389,218.08</b>	<b>16,451,799.07</b>

Allocation \$23,585,724 (Non-public share: \$7,133,925, CPS: \$16,451,799)

July ruling (2 Options):

- a) Low income method (only Title I schools eligible) - larger share of \$
- b) Total ADM - district wide eligibility -less \$ to CPS, less restrictions
- Current Law suit challenging rules DOE

## FY21 Cares Act Allocation

Treasurer Wagner informed the Committee of the two options for determining the Cares Act Funding:

Option A – based on low income (Title I schools only); and

Option B – based on total ADM (provides less to CPS, but has fewer restrictions).

She also reported that Cares Act 2.0 will be coming.

Treasurer Wagner discussed the following with the Committee.

- FY21 Temporary Appropriation to Actual Tracking
- ODE Maintenance of Effort Waiver
  - Current Rule General Fund => 90% of Prior Year Spend
  - FY20 Draft Spend = \$631M x .9 = \$567.9M
  - FY21 Proposed General Fund Budget = \$625M Meets Rule
- Possibility of Urgent Necessity Resolution ODE Maintenance of Effort Waiver

The Committee agreed to advance the Urgent Necessity Resolution and that it be a part of or in association with the Superintendent's overall presentation on August 3, 2020.

The meeting adjourned at 3:13 p.m.

**Finance Committee**

Eve Bolton, Chair

Melanie Bates

Ben Lindy

**Staff Liaisons**

Jennifer Wagner, CFO/Treasurer

Laura Mitchell, Superintendent, *absent*