

REPORT OF THE FINANCE COMMITTEE

The Finance Committee met on Thursday, August 15, 2019 at 4:00 PM at the Cincinnati Public Schools Education Center in the Board Conference Room.

ATTENDEES

Finance Committee Members

Chairperson Eve Bolton, Melanie Bates, Ryan Messer

Administrators

Laura Mitchell, Superintendent; Jennifer Wagner, Treasurer; Kevin Ashley, Director of Financial Reporting; Vera Brooks, Interim Director of Early Childhood; Lauren Roberts, Internal Auditor; Laura Sanregret, Teacher, Early Childhood; Nathan Tyahur, Accounts Receivable Supervisor

Julie Sellers, President, CFT

Cincinnati Preschool Promise

Hector Polanco, Finance Director

Sallie Westheimer, Interim Executive Director

Community Members/Parents

Marlena Brookfield; Craig Rozen

Governmental Liaison Presentation

Mr. Kearney and Mr. Glover submitted their following written report to the Committee:

Projects

- * Execute against CPS Government Relations Plan
- * Meet with Superintendent Laura Mitchell regarding CPS priorities
- * Local Delegation Meeting

Of Note – Liaison Report available in Board Office

- Changes in the Statehouse

- Senator Joe Uecker will resign on August 31st to join ODOT
- Representative Becker; Representative Green; Representative Baldrige
- Other local, potential changes

Ohio House - Primary and Secondary Education Committee

Chair, Louis W. Blessing, III

Vice Chair, Don Jones

Ranking Minority Member, Phillip M. Robinson, Jr.

H.B. 22 (Antani) To require the Ohio Facilities Construction Commission and the Department of Education to conduct a study regarding certain school building amenities. 1st Hearing on February 19, 2019.

H.B. 23 (Antani) To amend section 3313.5315 of the Revised Code to authorize any student from a country or province outside the United States who holds an F-1 visa to participate in interscholastic athletics. 1st Hearing on February 19, 2019.

H.B. 43 (Ingram) To amend sections 3313.41, 3318.08, and 5705.10, to enact new section 3313.411, and to repeal sections 3313.411, 3313.412, and 3313.413 of the Revised Code to eliminate the right of first refusal for certain schools in the acquisition of school district real property. 2nd Hearing on June 11, 2019.

H.B. 83 (Brown & Schaffer) To amend sections 4511.751 and 4511.76 of the Revised Code to allow images captured by a camera installed on a school bus to be used as corroborating evidence for the offense of failing to stop for a school bus. Referred to the Criminal Justice Committee on March 5, 2019.

H. B. 89 (Antani) To amend sections 4503.03 and 4511.75 of the Revised Code to enhance the penalties for failing to properly stop for a school bus, to establish requirements related to informing the public about that prohibition, and to make an appropriation. Referred to the Criminal Justice Committee on March 5, 2019.

H.B. 111 (Ingram) To amend sections 3314.03, 3326.11, and 3328.24 and to enact section 3319.324 of the Revised Code to require that public and private schools transmit a transferred student's records within five school days. 2nd Hearing on June 11, 2019.

H.B. 121 (Schaffer) To amend sections 5747.08 and 5747.98 and to enact section 5747.72 of the Revised Code to allow a credit against the personal income tax for amounts spent by teachers for instructional materials. 1st Hearing March 19, 2019.

H.B. 122 (Koehler) To amend sections 3301.0711, 3301.0714, 3301.163, 3302.036, 3302.10, 3310.51, 3317.03, 3365.07, and 5727.84; to enact new sections 3310.01, 3310.02, 3310.03, 3310.04, 3310.06, 3310.07, 3310.08, 3310.09, 3310.10, 3310.11, 3310.12, 3310.13, 3310.14, 3310.15, 3310.16, and 3310.17; and to repeal sections 3310.01, 3310.02, 3310.03, 3310.031, 3310.032, 3310.035, 3310.04, 3310.05, 3310.06, 3310.07, 3310.08, 3310.09, 3310.10, 3310.11, 3310.12, 3310.13, 3310.14, 3310.15, 3310.16, 3310.17, 3313.974, 3313.975, 3313.976, 3313.977, 3313.978, and 3313.979 of the Revised Code to eliminate the Educational Choice Scholarship Pilot Program and Pilot Project Scholarship Program and to create the Opportunity Scholarship Program. Creates scholarships to attend chartered non-public schools. Establishes maximum scholarship amounts at \$5,000 for students in grades K-8 and at \$7,500 for students in grades 9-12, but reduces scholarships amounts for students who qualify based on family income and whose family income increases. 1st Hearing on March 19, 2019.

H.B. 123 (Holmes & Manning) To amend sections 3313.536, 3313.60, 3314.03, 3319.073, 3326.11, and 3328.24 and to enact sections 3301.221, 3301.23, 3313.669, 3313.6610, 3313.6611, and 3313.6612 of the Revised Code with regard to school security and youth suicide awareness education and training. 5th Hearing on June 18, 2019.

H.B. 127 (Smith & Hambley) To enact section 3302.103 of the Revised Code to prohibit the creation of new academic distress commissions. This bill would prohibit the Superintendent of Public Instruction from establishing any new academic distress commissions on or after the bill's effective date. 2nd Hearing on April 9, 2019.

H.B. 132 (Manning) To amend sections 3314.03 and 3326.11 and to enact section 3313.675 of the Revised Code regarding notice of school child immunization requirements and exemptions. Voted out of Committee 16-0.

H.B. 164 (Ginter) To amend sections 3313.601, 3314.03, 3326.11, and 3328.24 and to enact sections 3320.01, 3320.02, and 3320.03 of the Revised Code regarding student religious expression and to entitle the act the "Ohio Student Religious Liberties Act of 5 2019." Voted out of Committee 9-6 along Party lines.

H.B. 165 (Liston, Galonski) To enact new section 3301.0718 and to repeal section 3301.0718 of the Revised Code regarding the adoption of health education standards. From the analysis, the bill requires

the State Board to adopt either the most recent health education standards developed by the American Association for Health Education, or health education standards developed and prescribed by the State Board itself. Further, it repeals the current prohibition on the State Board of Education from adopting or revising any standards or curriculum in the area of health unless the standards, curriculum, or revisions are approved by both houses of the General Assembly through concurrent resolution.

H.B. 239 (Manning, G., Crawley) To amend sections 3301.0712 and 3301.0729 of the Revised Code to reduce the number of end-of- course assessments required for high school graduation and to require each school district to form a work group to evaluate the amount of time students spend on testing. In Summary this bill would: * Beginning with the class of 2022, eliminates the requirement that high school students take a nationally standardized college admission assessment.

- * Beginning with the class of 2022, reduces the number of end-of-course examinations required for graduation from seven to three.

- * Requires each school district and other public school to form a work group to examine the amount of time students spend on district required testing and to submit a report of its findings and any recommendations to the district board or school governing authority or body on how to reduce testing.

- * Permits a district or school to exceed the time limitations that students may spend on state testing through an annual resolution after considering recommendations from the testing work group.

- * Requires the Department of Education to annually publish a report on the amount of time students spent on required state and district or school testing.

S.B. 4 (Rulli & Kunze) To amend Section 237.30 of H.B. 529 of the 132nd General Assembly and Section 237.10 of H.B. 529 of the 132 General Assembly, as subsequently amended, to make a capital appropriation for school facilities assistance. Increase from \$375M to \$475M, the amount of general obligation bonds that can be issued by the Ohio Public Facilities Commission for the purpose of paying the state share of the cost of constructing classroom facilities. Passed the Ohio Senate on March 27, 2019 (31-0). Passed House Committee 26-0.

S.B. 26 (Kunze) To amend section 5747.01 of the Revised Code to authorize a state income tax deduction of \$250 for teachers' out-of-pocket expenses for professional development and classroom supplies. Passed Senate 32-0. In House Ways and Means Committee.

Ohio Senate - Education Committee

Chair, Peggy Lehner

Vice Chair, Lou Terhar

Rank Minority Member, Teresa Fedor

S.B. 34 (Kunze) To amend sections 2953.25, 3314.03, 3314.101, 3319.151, 3319.227, 3319.31, 3319.311, 3319.313, 3319.316, 3319.40, 3319.99, 3326.081, 3326.11, 3328.18, 3319.393, 3328.24, and 5153.176 and to enact sections 3319.0812, 3319.318, 3319.319, and of the Revised Code regarding school employee employment and educator licensure and conduct. 5th Hearing, Sponsor Testimony on May 7, 2019.

S.B. 89 (Huffman) To amend sections 3302.03, 3313.14, 3313.482, 3313.618, 3313.903, 3317.023, 3319.226, 3326.032, 3333.162, 3333.94, 3365.01, 3365.02, 5709.62, 5709.63, 5709.632, 5709.82, and 5709.83, to enact sections 3301.0730, 3317.037, and 3319.2211, and to repeal section 3313.6113 of the Revised Code with regard to career-technical education and the compensation of joint vocational school districts located in enterprise zones. 3rd Hearing on May 7, 2019.

S.B. 102 (Brenner & Lehner) To enact new section 3323.25 and to repeal section 3323.25 of the Revised Code to establish the Dyslexia Screening Program for school districts and other public schools. 2nd Hearing May 7, 2019.

S.B. 110 (Manning) To enact section 3302.103 of the Revised Code to modify the operation of academic distress commissions in certain school districts. Modifies the composition and operation of an academic distress commission (ADC) of a school district for which (1) an ADC was established in 2013

under former law and (2) the ADC was re-established under continuing law. Requires the ADC to conduct and submit to the district board at least one annual performance evaluation of the chief executive officer (CEO) appointed by the ADC. Specifies that the CEO must appear at least quarterly before the district board to report on the district's progress. Requires the Auditor of State to conduct a performance audit of the district each year that it is subject to the ADC. Requires the Department of Education to initiate a site evaluation in the district in each year that the district is subject to the ADC. 3rd Hearing on April 9, 2019.

S.B. 121 (Sykes & Kunze) To amend sections 3301.0718 and 3313.6011 and to enact section 3301.0727 of the Revised Code to require the State Board of Education to adopt health education standards and to require that only statewide venereal disease education standards and curriculum be approved by the General Assembly.

* Removes the requirement of the adoption of a concurrent resolution when adopting or revising state standards or curriculum for health education.

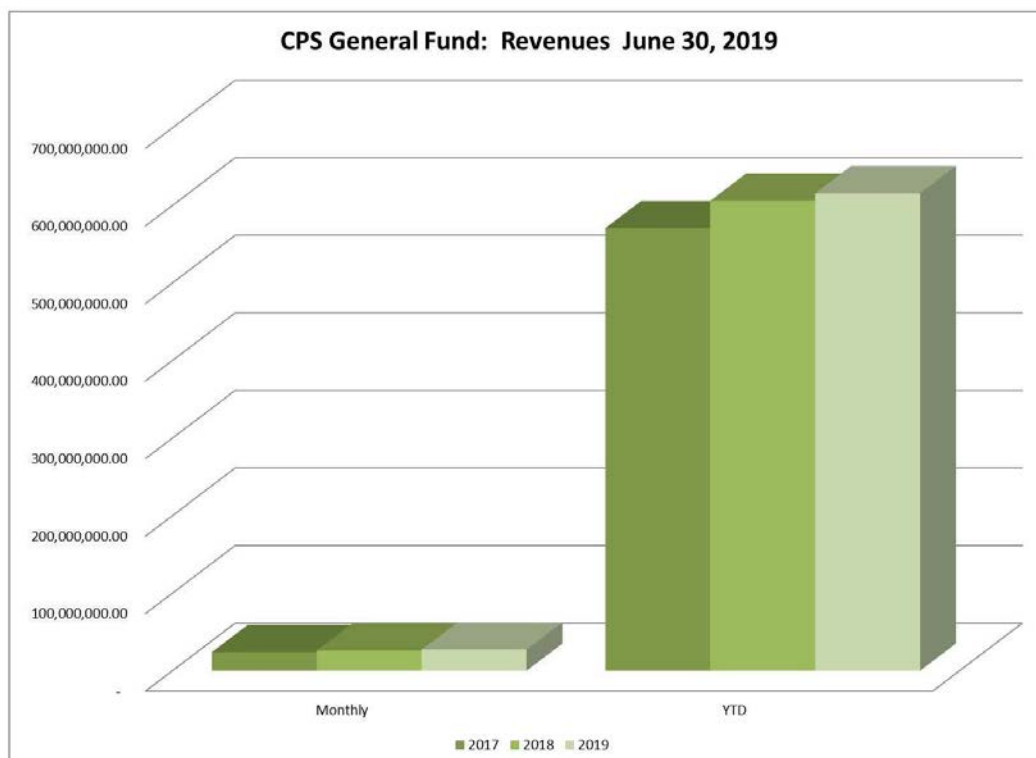
* Requires the adoption or a concurrent resolution when adopting or revising state standards for venereal disease education.

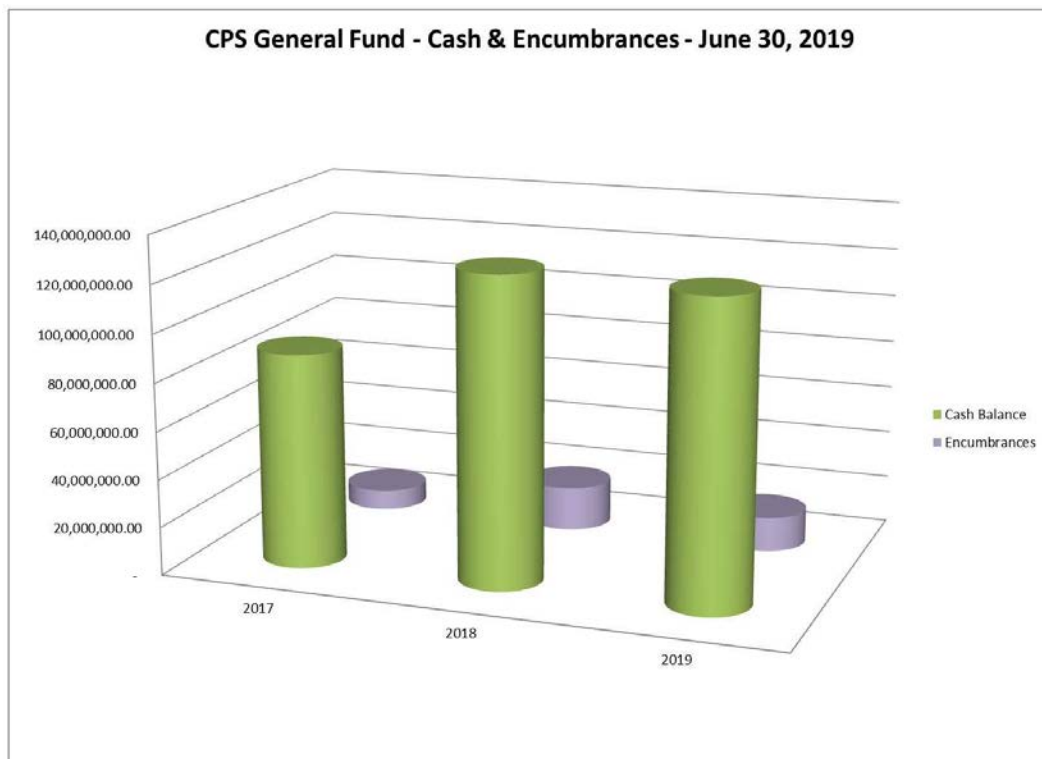
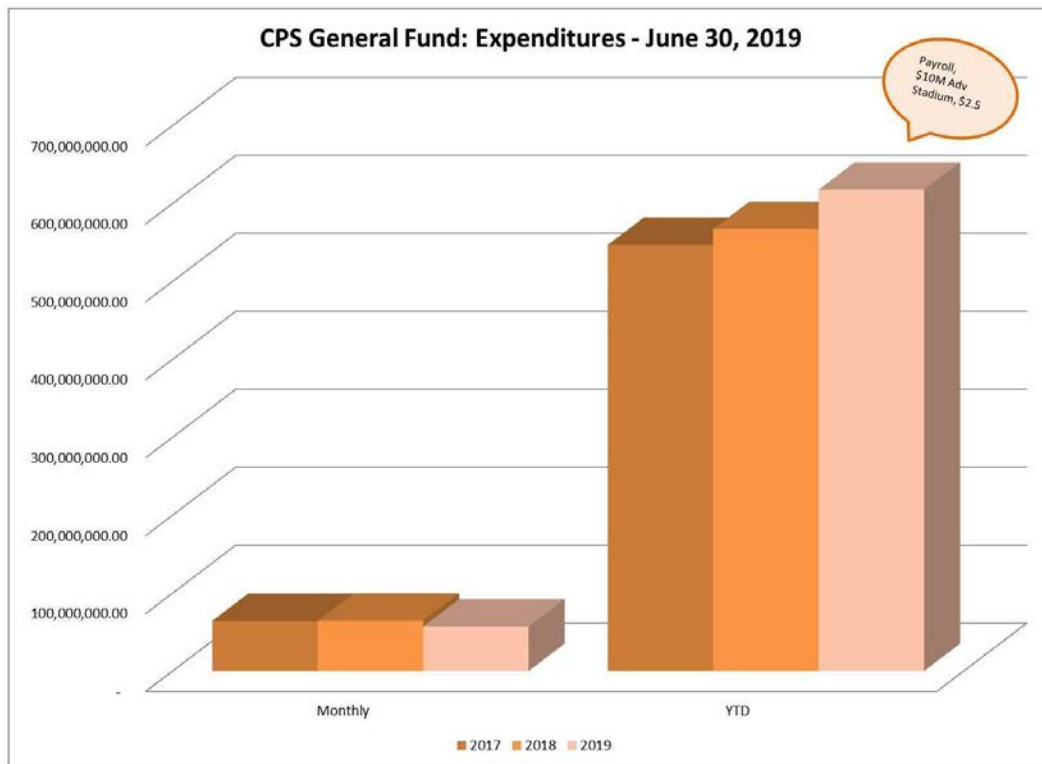
* Requires the State Board of Education to develop and adopt health education standards for grades K-12 health education. Proponent Testimony on May 7, 2019.

H.B. 154 (Miller & Jones) To amend sections 133.06, 3302.036, 3302.042, 3302.12, 3302.16, 3302.17, 3302.18, 3310.03, 3311.29, and 3314.102; to enact new section 3302.10; and to repeal sections 3302.10, 3302.101, 3302.102, and 3302.11 of the Revised Code; and to repeal Sections 4, 5, and 6 of Am. Sub. H.B. 70 of the 131st General Assembly to dissolve academic distress commissions and to instead require the creation of community learning centers for buildings in low-performing school districts. In Ohio Senate Education Committee.

Treasurer Monthly Updates

Treasurer Wagner presented the following updates via written report.





State & Federal Grants

June 2019

	State	Federal	Combined	FY18
Beg Cash	1,971,239.69	7,778,481.65	9,749,721.34	9,194,087.04
Receipts	12,320,054.87	48,196,067.81	60,516,122.68	67,795,524.11
Expenditures	12,617,307.65	50,220,774.74	62,838,082.39	67,240,739.53
Encumbrances	481,083.00	1,501,435.68	1,982,518.68	3,677,075.63
Ending Cash	1,192,903.91	4,252,339.04	5,445,242.95	6,017,795.99

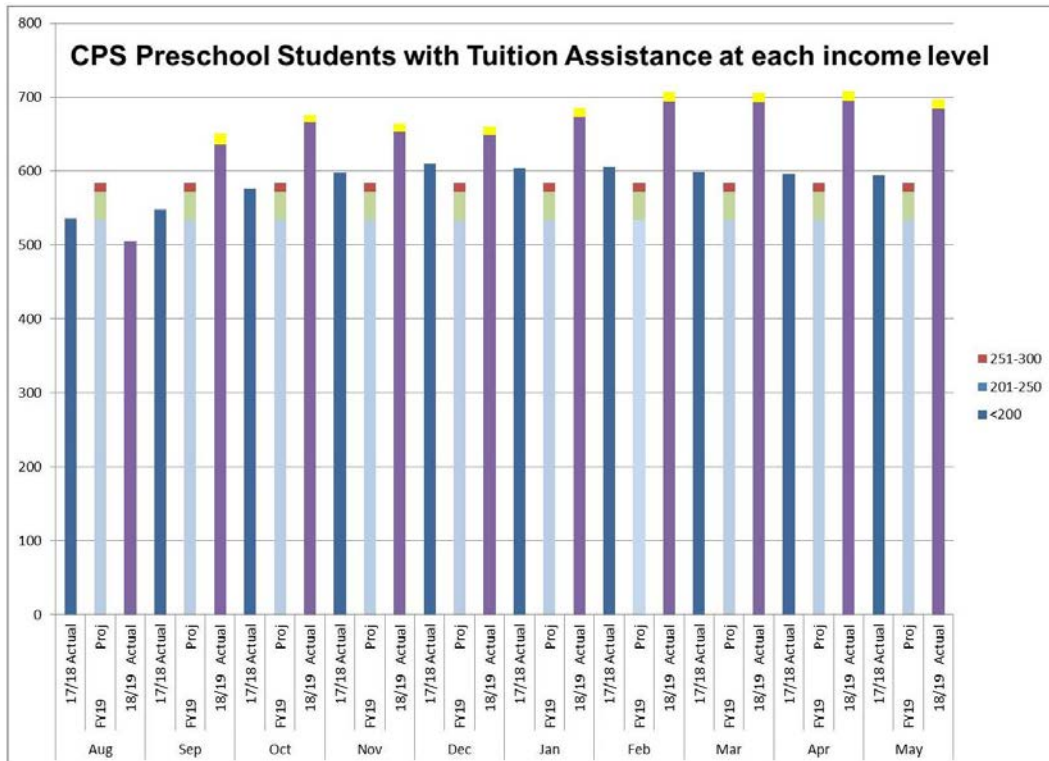
CPS Preschool Expansion

	Budget	Jun YTD	YTD FY18
Revenues:			
General R/E Property Tax	13,649,553.39	14,018,946.33	14,924,369.95
Public Utility Property Tax	1,100,847.17	1,214,884.14	1,205,636.19
Homestead Exemption	249,599.45	250,649.66	263,643.56
Less: Auditor Fees	(165,000)	(223,953.92)	(230,769.61)
Revenues	\$ 14,835,000.01	\$ 15,260,528.52	\$ 16,162,880.09
Expenses:			
Tuition Assistance	4,376,878.00	4,178,630.46	3,953,246.88
Payments to United Way	8,887,251.00	5,901,749.39	7,081,837.16
Workforce Development	108,463.68	45,768.18	-
Special Education Support	654,353.44	560,8741.25	350,009.19
Administrative Support	200,000.00	9,399.20	112,458.10
Expenses	\$ 14,226,946.12	\$,10,696,388.48	\$11,497,551.33
Net Income	\$ 608,053.89	\$4,564,140.04	4,665,328.76

CPS Tuition Assistance Summary

	Income	FT	HT	Total	Days	Tuition Assist \$
May	<200 %	634	50	684	11,580	453,877.58
	200-250	9	4	13	221	6,937,.67
s/t		643	54	697	11,801	460,815.25
YTD				697	109,460	\$ 4,178,662.46
LY				594	98,043	\$ 3,953,246.88

Note: The data in the chart above represents only the CPS preschool students who participate in the Preschool Expansion Tuition Assistance program. CPS currently has enrolled 1,760 preschool students.



Community Reinvestment Act (CRA) Update

Nathan Tyahur, Accounts Receivable Supervisor, provided the Committee with the Community Reinvestment Act Agreements update via written report.

- New Agreements For Approval

Agreement	Years of Agreement	Estimated Annual Revenue	Estimated Total Agreement Revenue
(A.) <u>Vision Cincinnati, LLC</u> Description: the improvements made to the real property located at 37 W. 7th Street in Cincinnati's central business district, in connection with the remodeling of an existing building into a hotel - Ordinance #358-2018, Contract #95x2019-149.	15-years	\$111,897.75	\$1,678,466.24
(B.) <u>Black Forest Holding IV, LLC</u> Description: the improvements made to the real property located at 6325 Este Avenue in the Carthage neighborhood of Cincinnati, in connection with the remodeling of an existing building by constructing an addition containing approximately 7,800 square feet of office space and renovating approximately 8,500 square feet of existing office space - Ordinance #305-2018, Contract #95x2019-246	15-years	\$19,212.63	\$288,189.49
(C.) <u>Seto Ventures, LLC</u> Description: the improvements made to the real property located at 4460 Orkney Avenue in the Oakley neighborhood of Cincinnati in connection with the construction of an approximately 11,883 square foot commercial building - Ordinance #21-2019, Contract #95x2019-319	9-years	\$12,667.67	\$114,009.03
(D.) <u>Court Street Condos, LLC</u> Description: the improvements made to the real property located at 32-40 E. Court Street, 44-56 E. Court Street, and 1003 Walnut Street in the downtown neighborhood of Cincinnati, in connection with the remodeling of 6,500 square feet of commercial space into restaurant and retail facilities, which remodeling shall be completed in compliance with LEED Silver, Gold, or Platinum standards or LBC standards - Ordinance #346-2018, Contract #95x2019-230	15-years	\$9,590.94	\$143,864.07
(E.) <u>Fourth and Race Redevelopment, LLC</u> Description: the improvements made to the real property located at 118 West Fourth Street in the Central Business District of Cincinnati, in connection with the construction of approximately 22,000 square feet of commercial space - Ordinance #265-2018, Contract #95x2019-211	15-years	\$43,619.92	\$654,298.82
(F.) <u>Crane Factory Flats Investors, LLC</u> Description: the improvements made to the real property located at 824 Broadway Street in the downtown neighborhood of Cincinnati in connection with the remodeling of the building on the property into residential space - Ordinance #127-2017, Contract #85x2018-042	12-years	\$73,050.23	\$876,602.75
(G.) <u>Supreme Bright Cincinnati, LLC</u> Description: the improvements made to the real property located at 105 E. 4th Street in downtown Cincinnati, in connection with the remodeling of the existing building on the property into commercial space consisting of a hotel and parking garage, which remodeling shall be completed in compliance with LEED Silver, Gold, or Platinum standards of LBC standards - Ordinance #23-2019, Contract #95x2019-265	15-years	\$409,587.99	\$6,143,819.83
(H.) <u>Alto Properties, LLC</u> Description: the improvements made to the real property located at 6087 Montgomery Road in the Pleasant Ridge neighborhood of Cincinnati, in connection with the remodeling of an existing building into commercial and residential space - Ordinance #377-2018, Contract #95x2019-302	12-years	\$2,576.60	\$30,919.25
(I.) <u>1733 Elm St. LLC</u> Description: the improvements made to the real property located at 1733 Elm Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of an existing building into a minimum of 9 market-rate apartments and approximately 800 square feet of commercial space - Ordinance #196-2019, Contract #05x2020-167	12-years	\$6,471.07	\$77,652.82

(J.) OTR Dispensaries, LLC

9-years

\$565.82

\$5,092.40

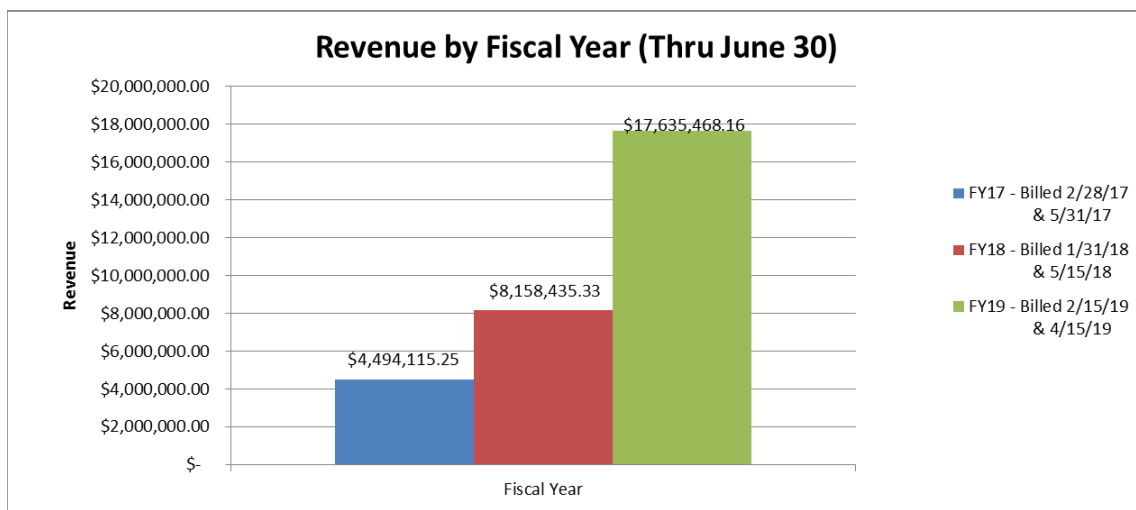
Description: the improvements made to the real property located at 1902 Colerain Avenue in the West End neighborhood of Cincinnati, in connection with the remodeling of a building into four industrial unit workspaces - Ordinance #263-2019, Contract #05x2020-168

Update from the Property Tax Working Group

Chairperson Bolton reported that Vice Mayor Smitherman did acknowledge receipt of the Board's letter regarding the abatement negotiations and would follow up. She also reported that the City, during the question and answer portion of the meeting, stated that actually monitoring residential and commercial abatements after they are enacted is difficult due to the size of department staff.

A strong presentation was made regarding the processes for applying for commercial abatements and the less complex process for residential abatements.

- CRA Revenues Collected



Mr. Tyahur noted the following about FY18 and the significant change in revenues for Fiscal Year 2019:

*FY18 revenues include the CRA audit performed that year where retro amounts were received. FY19 revenues include the \$9.3 million FCC PILOT payment.

Billed But Not Collected (Thru July 31)

Year	0-30 Days Old	31-60 Days Old	61-90 Days Old	90+ Days Old	Total
FY18	\$ 28,464.46	\$ 11,343.53	\$ 185,921.59	\$ 102,288.13	\$ 328,017.71
FY19	\$ 169,389.48	\$ -	\$ 221,926.08	\$ 9,323.89	\$ 400,639.45
FY20	\$ -	\$ 340,463.27	\$ 93,917.52	\$ 328,593.84	\$ 762,974.63

Mr. Tyahur reported that the majority of the CRAs not collected for Fiscal Year 2020 are for Cincinnati Development I, LLC, which accounts for 76 percent of the outstanding CRA amounts still needing to be collected.

Preliminary Discussion and Follow Up Regarding Imagination Library

Treasurer Wagner reported that she has financial concerns and that the initiative is not a "public purpose."

She also reported that there are no revenue streams to support the program. The State Foundation payments support K-12 and preschool disabilities, and tax levies have been approved for K-12 students and preschool.

Mrs. Wagner expressed concern about guaranteeing that students using the tool would be CPS students, and that there is not a \$640,000 line item to support the project.

Mrs. Wagner stated that Board Member Mike Moroski is reconsidering and will support CPS' three-, four-, and five-year old students. Treasurer Wagner will speak with the Superintendent about including the initiative in the next budget cycle.

Mr. Messer recommended engaging with families as soon as children are born. He stated to, "Get customer lock-in early." He also discussed Cincinnati Public Schools having enrollment applications available at the hospitals as soon as children are born. Committee member Bates recommended to have preschool applications available at the time of birth.

Treasurer Wagner recommended that a growth marketing plan be developed.

Ms. Bolton advised to think of this as a marketing piece and a way to build better relationships with other providers.

Superintendent Mitchell expressed concern about the need for an evaluation to show a direct correlation between a six-month old getting a book, to them being preschool and kindergarten ready.

She also expressed concern about investing \$600,000 for children who may not attend CPS and not being able to tie the initiative to children being kindergarten ready.

Mrs. Mitchell is in favor of exploring opportunities on how to connect with families and pediatrician offices before children are preschool ready.

Capital Monies Available for Expansion and Facilities and Properties Inventory Preliminary Discussion

Kevin Ashley, the District's new Director of Financial Reporting, will be working on the financial piece and will have a completion date after meeting with David J. Conley, Owner, Managing Partner of Rockmill Financial Consulting.

Superintendent Mitchell reported that General Counsel Hoying has provided her with information about the properties inventory. She will provide this information to the Committee in the form of a memo the week of August 19, 2019.

ACTION: An update about the capital monies and properties inventory will be provided at the September 19, 2019 Finance Committee meeting.

CPP(Cincinnati Preschool Promise) Preschool Finances

Hector Polanco, CPP Finance Manager

Sallie Westheimer, CPP Interim Executive Director

Financial and Budget Review

Mr. Polanco provided the Committee with the below *Summary of Fiscal Year 2019 Actual* chart. He reported that there are unspent funds that need to be returned back to the District per CPP's policy.

Summary FY19 Actuals

As of June 30, 2019

CPP ONLY End-of-Year Results

	Actuals FY19	Budget FY19	Budget FY19 minus Actuals FY19
Tuition Assistance	\$3,409,590	\$4,459,565	\$1,049,975
Quality Improvement	\$1,075,423	\$1,639,400	\$563,977
Cost of Quality (Wages)	\$43,710	\$500,000	\$456,290
SUM OF PROGRAMS	\$4,528,722	\$6,598,965	\$2,070,243
Data & Enrollment Systems, Evaluation	\$599,597	\$840,124	\$240,527
Communications & Outreach	\$127,304	\$176,582	\$49,278
M&A - General	\$82,503	\$346,100	\$263,597
M&A - Staff Related	\$642,031	\$770,500	\$128,469
M&A - Facilities	\$42,945	\$54,980	\$12,035
UWGC Admin Fees	\$0	\$100,000	\$100,000
SUM OF ADMINISTRATIVE	\$1,494,380	\$2,288,286	\$793,906
TOTAL	\$6,023,102	\$8,887,251	\$2,864,149

Mr. Polanco reported that CPP's policy requires unspent funds be returned back to the District. The below chart contains the following information that explains how unspent funds revert back to the District.

CPP Unspent Funds Policy, part 8.3. requires return of unspent funds if over 10% "If the total of Carryover Funds represents 10.0% or more of the total CPP budget for said fiscal year, the Carryover Funds will revert to Cincinnati Public Schools (CPS). CPS shall keep the reverted funds segregated in the same way as other tax levy funds received by CPS and to be used for preschool expansion. Said funds shall be allocated between CPP and CPS for future preschool expansion spending using the same process as was used to split preschool expansion funds between CPP and CPS during the most recent CPP budgeting cycle."

UNSPENT/CARRYOVER FUNDS ADJUSTMENT REPORT FY19

	FY19
Funds transferred by CPS to CPP	\$5,901,749.39
plus CPP	\$2,985,501.68
sub-total	CPP Budget for FY19 \$8,887,251.07
minus Total Spending by CPP in FY19	\$6,023,102.14
plus adjustments for non-levy funds	\$77.09
Carryover Unspent funds \$	\$2,864,226.02
Carryover Unspent funds % of FY19 CPP Budget	32.2%

CPP Unspent Funds Policy, part 8.3. requires return of unspent funds if over 10%
 "If the total of Carryover Funds represents 10.0% or more of the total CPP budget for said fiscal year, the Carryover Funds will revert to Cincinnati Public Schools (CPS). CPS shall keep the reverted funds segregated in the same way as other tax levy funds received by CPS and to be used for preschool expansion. Said funds shall be allocated between CPP and CPS for future preschool expansion spending using the same process as was used to split preschool expansion funds between CPP and CPS during the most recent CPP budgeting cycle."

FY20 Transfer of Funds Table

CPP Budget FY20

Total Spending by CPP\$8,900,762.00

	Unadjusted Transfers of Funds From CPS to UWGC for CPP FY20	Adjustment to Return Unspent Funds from FY19 to	Adjusted Transfers of Funds From CPS to UWGC for CPP FY20
09/01/19 payment	\$2,225,190.50	-\$2,225,190.50	\$0.00
11/01/19 payment	\$2,225,190.50	-\$639,035.52	\$1,586,154.98
02/01/20 payment	\$2,225,190.50		\$2,225,190.50
05/01/20 payment	\$2,225,190.50		\$2,225,190.50
	\$8,900,762.00	-\$2,864,226.02	\$6,036,535.98
Total Transfers of Funds From CPS to UWGC for CPP FY20>>>			\$6,036,535.98

ACTION: This Unspent/Carryover Funds Adjustment Report FY 2019 will be included in the August 26, 2019 Treasurer's Report to authorize CPS to make the payments.

Mr. Polanco updated the Committee on the following Fiscal Year 20 Budget and discussed the following key changes that are outlined on the below chart.

1. TA = increases due to more children being served, 6% TA increase, Equalizing 3&4 Star Adjustment to 5 Star (+\$1,000k)
2. QI = increases due to more preschools being served and new spending categories being added (+\$350k)
3. COQ = increases due to full year effect + new spending in 0-2 STAR (+\$500k)
4. Program Expansion Contingency (+\$500k)
5. Data & Enrollment Systems, Evaluation = increases due to timing of OSU/Crane payment (+\$75k)
6. Communications & Outreach = increases due to increased use of new media (+\$75k)
7. M&A General = increases due to Contingency (+\$50k)
8. M&A - Staff Related = increases due to retention bonuses, salary increases, and fully staffed all year (+\$125k)
9. UWGC Admin Fees= increases due to 1/2 year of UWGC fee not yet waived (+\$100k)

Mr. Polonco reported that a program is being developed to help 0-2 Star providers. Information and parameters about the program are not available as of yet. Funding has been put into the budget for the initiative.

Executive Search

Ms. Westheimer updated the Committee on the status of the Executive Search and reported that the search committee will be submitting candidates by end of August 2019 to the CPP Board. Seven or eight candidates will be interviewed and then narrowed down to three or four. Vera Brooks, Interim Director of Early Childhood, reported that she, United Way and Promise Forward will sit in on the final interviews as observers to give feedback.

FY20 BUDGET

As of August 5, 2019

Tuition Assistance
Quality Improvement
Cost of Quality (Wages)
Contingency For Program Expansion
SUM OF PROGRAMS

Data & Enrollment Systems, Evaluation
Communications & Outreach
M&A - General
M&A - Staff Related
M&A - Facilities
UWGC Admin Fees
SUM OF ADMINISTRATIVE

TOTAL

CPP ONLY

FY = Fiscal Year

FY20 Budget	FY19 Actuals	FY20 Budget minus FY19 Actuals
\$4,430,887	\$3,409,590	\$1,021,297
\$1,439,350	\$1,075,423	\$363,927
\$569,400	\$43,710	\$525,690
\$500,000	\$0	\$500,000
\$6,939,637	\$4,528,722	\$2,410,914
\$675,000	\$599,597	\$75,403
\$214,873	\$127,304	\$87,569
\$140,900	\$82,503	\$58,397
\$774,672	\$642,031	\$132,641
\$55,680	\$42,945	\$12,735
\$100,000	\$0	\$100,000
\$1,961,125	\$1,494,380	\$466,745
\$8,900,762	\$6,023,102	\$2,877,660

Key Changes from FY19 Actuals

1. TA = increases due to more children being served, 6% TA increase, Equalizing 3&4 Star Adjustment to 5 Star (+\$1,000k)
2. QI = increases due to more preschools being served and new spending categories being added (+\$350k)
3. COQ = increases due to full year effect + new spending in 0-2 STAR (+\$500k)
4. Program Expansion Contingency (+\$500k)
5. Data & Enrollment Systems, Evaluation = increases due to timing of OSU/Crane payment (+\$75k)
6. Communications & Outreach = increases due to increased use of new media (+\$75k)
7. M&A General = increases due to Contingency (+\$50k)
8. M&A - Staff Related = increases due to retention bonuses, salary increases, and fully staffed all year (+\$125k)
9. UWGC Admin Fees = increases due to 1/2 year of UWGC fee not yet waived (+\$100k)

Increase vs. comparison
Decrease vs. comparison

Per Pupil Value Proposed Increase; CPP Providers Funding Change Proposal; CPP Proposal for Modified Coaching (3, 4, 5 stars)

Ms. Westheimer updated and presented the below *Budget-Related Changes for the 2019/2020 School Year Report* to the Committee. For the record

Her below report includes two items that would require changes to the Master Agreement.

1. A change to the formula that now pays only 75 percent of the cost of quality for three-star programs and 90 percent of the cost of quality to four-star programs.
2. A change to the prohibition of providing quality improvement coaching and training to any program with three, four, or five stars.

She also updated the Committee regarding equity issues having unintended consequences where providers are wanting to charge a copay to low income families for a seat for their preschoolers to help in the provider becoming a quality star rated provider.

For the record, Ms. Westheimer provided the following written statement:

**Cincinnati Preschool Promise
Budget-Related Changes for the 2019/2020 School Year Report**

This budget contains funding to address an equity issue that has arisen in the implementation of the Cincinnati Preschool Promise. We have adopted an equity policy that is modeled on the excellent policy adopted by the Cincinnati Board of Education.

The issue came to my attention because the reimbursement rate for Publicly Funded Child Care (child care payments for working families under 130% of poverty) increased in July (hooray!) making the Publicly Funded Child Care rate for three-star programs more than CPP pays. The providers are required by the state to charge at least as much to the families or other funders as they were paying, and so they asked to be able to pass the difference on to families - that is, requiring low-income families to make up the difference. This did not seem right to us.

So we looked further into the issues.

At three Stars a program must be implementing a curriculum that aligns with Ohio's Early Learning and Development Standards, have written plans of activities that align to all developmental domains and ensure that all children receive a comprehensive developmental screening, among other requirements.

At four and five stars the teachers have truly embedded the skills and practices, and are able to demonstrate how they are implementing their continuous improvement plans.

But there are financial costs to achieving four or five stars - namely a lower child to staff ratio. If they serve fewer children than the state licensing laws permit, offer more staff supports like health benefits, and have teachers with higher credentials, they are awarded points that lead to a higher rating.

The school district and some of the large child care agencies have economies of scale that allow them to pay benefits, pay higher wages and to have lower child to staff ratios. The single site providers, largely African American businesses serving their neighborhood, struggle to meet these higher cost components of the star-rating system. We believe that some of the original Master Agreement provisions have inadvertently contributed to a growing inequity in our system.

We have eight preschool locations with 36 children at the 3 star level, and five preschool at the four-star level serving 71 children. That a total of 13 (or 26%) of our 50 sites, and 14% of the children served. With the exception of one YMCA site and two parochial schools, all the rest are minority owned or operated preschools.

When we reimburse for preschool at less than the cost of quality, we contribute to the challenge of getting to five stars.

What we have found out from our quality improvement coaches is that the number one reason a program applies to be a three star instead of five is the difficulty of finding and retaining enough qualified lead teachers. This, as you have heard on many occasions, I imagine, is the greatest crisis facing the community-based early learning and child care system. This challenge of finding qualified staff is growing at a rapid pace as more programs reach three to five stars, and as CPS expands. The problem of shortage of qualified teachers exists in every part of the community-based system - from large agencies to the single site programs

So, we now have more community-based high quality and more capacity in CPS. That is the really great news. But we must be extremely aware of the collateral challenges these advances are creating.

Thus, we are proposing two budget-related changes to the Master Agreement:

- 1. A change to the formula that now pays only 75% of the cost of quality for three-star programs and 90% of the cost of quality to four-star programs. We are proposing to pay the same rate to three-, four-, and five-star programs, eliminating the need for parents to incur a co-pay, and providing more resources for a program to improve.**
- 2. A change to the prohibition of providing quality improvement coaching and training to any program with three, four, or five stars. If we want these programs to continue to improve, they need business coaching, as well as coaching to embed the newly acquired knowledge of curriculum and assessment. And we really must support long-time staff at these programs in getting their Child Development Associate credential, and other training that improves practice. That is our best change for having qualified teachers - growing from within.**

The costs for these two changes, as well as the cost of increasing the reimbursement rate by 3% each year for the 2018/19 school year and the 2019/2020 school year (6% compounded) are embedded in this budget.

Some of the CPP board members raised concerns about taking away the motivation for programs to improve if we pay the same rate for three, four and five stars. I contend that they will have a lot harder time improving if they are being paid less than the cost of quality, that they very much want to get to five stars and the best way to help them is with increasing the pool of qualified staff (via more CDA training for teachers and assistant teachers in all community-based programs) and with coaching to improve business and classroom practice.

The Chair again expressed concern about the CPP Board's decision to go to 300 percent poverty. Ms. Westheimer suggested that this still a topic of review

Committee Chair Bolton asked how much within the CPP budget would CPS get back for the improvements or expansion of classrooms that the District may do. Mrs. Wagner will provide the Committee with an analysis.

The Committee stated that the District could re-envision preschool by providing full-day classes, re-envisioning transportation, and more walkable sites.

ACTION: The Committee recommended talking about envisioning preschool in a joint Board meeting with CPP.

ACTION: The Finance Committee referred CPP's recommended budget changes to the Master Agreement to the full Board for discussion under Board Matters before a decision is made on how to move forward. Ms. Westhemier and Ms. Brooks will attend a Board meeting to update the Board on CPP's request. The Finance Committee will then make a recommendation of moving forward with the request after hearing from the Administration and Ms. Westheimier. General Counsel possibly could suggest an addendum or amendment to the Master Agreement rather than re-opening the full agreement.

Treasurer Wagner will delay the payment until the Board has addressed the request.

The Committee discussed that, once accepted, the amendment would get approved through the Treasurer's Report.

Executive Session

Finance Committee member Ryan Messer motioned and Chairperson Eve Bolton seconded the motion to recess into Executive Session at 5:00 PM to *Consider the Employment of a Public Employee or Official*.

The vote was unanimous.

The Committee reconvened to public session at 5:40 PM.

The meeting adjourned at 5:41 PM.

Finance Committee

Eve Bolton, Chair
Melanie Bates
Ryan Messer

Staff Liaisons

Jennifer Wagner, CFO/Treasurer
Laura Mitchell, Superintendent