

REPORT OF THE FINANCE COMMITTEE

The Finance Committee met on Thursday, June 21, 2018 at 4:00 PM at the Cincinnati Public Schools Education Center in the Board Conference Room.

ATTENDEES

Finance Committee Members

Chairperson Ryan Messer, Melanie Bates

Administrators

Scott Adams, Chief Operations Officer; Trina Levins, Director of Purchasing; Brittany Marks, Director of Financial Reporting and Transparency; Lauren Roberts, Internal Auditor; Jennifer Wagner, Treasurer

Kearney and Kearney

Eric Kearney, CEO, President

Focused Capital Solutions, LLP

George T. Glover, Managing Director

Dinsmore & Shohl

Brenda Wehmer, Partner

Community Members/Parents

David Brenner, Marlena Brookfield

Cincinnati Preschool Promise

Hèctor Polanco, Finance Manager

Governmental Relations Update

Mr. Kearney and Mr. Glover were present and updated the Committee with the following information and projects.

Mr. Kearney reported that two of the Gubernatorial candidates have agreed to meet with CPS, or their Education Team. A date and time of the meeting will be scheduled in the near future.

Mr. Kearney also informed the group that Mr. Glover has made his office for Strategic Planning sessions for items related to government affairs.

ACTION: The Finance Committee will create a list of concerns for submission to the legislators to act on them. The Committee will also discuss the idea with Board members for their recommendation of topics for legislators to address. Three Board members will be part of the discussion with the legislators. The discussions will be recommended to occur in the third or fourth quarter of this year, in preparation for next year's budget.

House Bill 58 Introduced by Representatives Brenner and Slaby requires the State Board of Education to develop and adopt a model curriculum in cursive handwriting instruction, which may be used by public schools. It passed the Ohio House 89 to 4 and is currently in the Senate. This is not a mandate, but development of a curriculum.

House Bill 477 Introduced by Representative Koehler (and co-sponsored by Representative Ingram) this Bill would eliminate various provisions and programs related to the Department of Education and the operation of primary and secondary schools. It passed the Ohio House 93 to 0.

Please find attached the Bill that contains a list of repealed provisions regarding the Department of Education and the operation of primary and secondary schools.

HB 705 Introduced by Representatives Hambley and Ingram (former CPS Board member). This Bill involves the circumstances in which school district and educational service center treasurers may be held liable for a loss of public funds.

ACTION: The Committee discussed and supported the Bill. Mrs. Wagner advised that the Bill is significant and recommended having a conversation about the Bill with Representatives Steven Hambley and Catherine Ingram. Mr. Glover will draft a memo about the Bill for the Board's information. Mrs. Wagner will update the full Board about the Bill at a Regular Business Meeting.

Mr. Glover informed the group that he is monitoring the many bills that are being introduced on safety.

House Bill 160 Bill introduced by Representative Antonio to enact the Ohio Fairness Act to prohibit discrimination on the basis of sexual orientation or gender identity or expression, to add mediation to the list of informal methods by which the Ohio Civil Rights Commission may use to induce compliance with Ohio's Civil Rights Law before instituting a formal hearing, and to uphold existing religious exemptions under Ohio's Civil Rights Law. It has been referred to the Government Accountability and Oversight Committee.

Mr. Kearney reported that the Bill is still in Committee and he anticipates that no action will be taken on the Bill.

Substitute House Bill 343 To amend section 5715.19 of the Revised Code to require local governments that contest property values to formally pass an authorizing resolution for each contest and to notify property owners.

OASBO, (Ohio Association of School Business Officials), in an email sent to the Board on June 21, 2018 reported that the Bill would place new, unnecessary requirements on school districts when property values are challenged. The Senate Ways and Means Committee heard proponent, opponent and interested party testimony on the bill on Tuesday, June 26, at 11:15 a.m. They also recommended having a strong show of opposition at that hearing, and urged members to offer opposition testimony.

OASBO has opposed Sub. HB 343 throughout their legislative process.

Sub. HB 343 requires:

- Notification to the property owners by the school district to let them know the district is considering a challenge to the current valuation of the property.
- This is a redundant mandate because the BOR (Board of Revision) process is already set up for this purpose (affected property owners are notified).
- After making notification, the board of education would have to pass a resolution indicating it will challenge the values for specific properties.
- This step would have the effect of politicizing the decisions as to which properties would be challenged

ACTION: The Committee will recommend that the Bill, School Funding and Tax Abatements/Process, be discussed at a Strategic Planning and Engagement Committee Strategy Session.

Mr. Glover reported that HB 512 has been put on hold. A summary of this bill can be found below.

House Bill 512 This Bill introduced by Representative Reineke would establish the Department of Learning and Achievement; to abolish the Department of Higher Education, the position of the Chancellor of Higher Education, and the Ohio Board of Regents; to transfer, with exceptions, the duties regarding the administration of primary and secondary education programs and all duties regarding the administration of higher education programs to the Department of Learning and Achievement; and to prescribe certain duties regarding educator licensure, community school sponsorship, and other education programs for the State Board of Education, Superintendent of Public Instruction, and Department of Education. It is in House Government Accountability and Oversight Committee.

The Committee will talk with General Counsel about direction to take in discussing the Bill in order to be prepared to have a discussion with the full Board about the Bill. The meeting will take place in the Cincinnati office.

Mr. Kearney's *Cincinnati Public Schools June 2018 Monthly Report* provides information on various House and Senate bills, as well as bills introduced in both the House and Senate Education Committees. A copy of this report is available in the Board Office.

COPS Lease Purchase Financing Authorization

Ms. Wehmer discussed with the Committee how funding could be generated to move forward with the purchase of Mother of Mercy High School, renovation of Carthage, North Fairmount and the Clifton Area Neighborhood School, and updating of the Education Center.

The Finance Committee also discussed the possibility of renovating Gamble Montessori.

Ms. Wehmer recommended that for now, the District go with Certificates of Participation for the Projects and un-voted debt to renovate Gamble Montessori High School.

ACTION: Ms. Wehmer will do a presentation about the COPs and submit her recommendation to the Board in the form of a Resolution for recommendation of approval at the June 25, 2018 Regular Business meeting.

Treasurer Financial Updates

Monthly and Year-to-Date Revenue and Expenditures

Treasurer Wagner provided the Committee with the following information for General Fund monthly statements through May 2018.

- Revenues – Operating revenues continue to trend higher than FY17 due to increases in property tax revenue and state aid (Increased enrollment). CPS received 99.6% percent of budgeted revenues.
- Expenditures – Are slightly higher than last year, however the District is still trending under as a percent spent of yearly total. CPS spent 83.4 percent of estimated total expenditures, compared to an average of 88 percent over the last three years.

Preschool Expansion Financial Report

- CPS Tuition assistance review

Schoolwide Pool (Fund 598)

- Revenues – \$167.1M of anticipated \$199.4M (83.4%)
- Expenditures – \$167.2M of anticipated \$199.4M (83.9%)

State & Federal Grants Summary

	State	Federal	Combined
Beg. Cash	160,203.97	9,033,883.07	9,194,087.04
Receipts YTD	14,062,531.11	42,598,784.87	56,661,315.98
Expenditures YTD	11,562,423.45	49,652,926.44	61,215,349.89
Encumbrances	592,161.84	4,198,444.67	4,790,606.51
Unencumbered Cash	2,068,149.79	(2,218,703.17)	(150,553.38)
Estimated Receipts	\$ 15,115,192	\$ 59,905,380	\$ 75,020,572
% Received of total	93.0%	71.1%	75.5%

Note: Federal fund estimated receipts include 15 months of estimated resources due to carryover funds

Payment In Lieu of Tax Agreements

Agreement	Years of Agreement	Estimated Annual Revenue	Estimated Total Agreement Revenue
(A.) <u>W. Liberty & Elm LLC (Rehab)</u>	12-years	\$31,082.36	\$372,988.30
<i>Description:</i> improvements made to the real property located at the northwest corner of Liberty Street and Elm Street in the Over the Rhine neighborhood of Cincinnati, in connection with the mixed-use redevelopment of 4 historic buildings into residential and commercial space – Ordinance #86-2017, Contract #85x2018-202.			
(B.) <u>W. Liberty & Elm LLC (NC)</u>	15-years	\$120,239.65	\$1,803,594.72
<i>Description:</i> improvements made to the real property located at the northwest corner of Liberty Street and Elm Street in the Over the Rhine neighborhood of Cincinnati, in connection with the construction of a mixed-use development including residential space, retail space, and parking - Ordinance #85-2017, Contract #85x2018-201A			

The CRAs will be recommended for approval at the June 25, 2018 Regular Board meeting.

Mrs. Wagner updated the Committee on the following financial reports:

- CPS General Fund Financial Report as of May 31, 2018
- General Fund Revenues as of May 31, 2018
- Cash Summary By Fund as of May 2018
- Fund 001 – General – Budget to Actual with Encumb by Fund, Obj, as of 5/31/2018
- Fund 598 – Schoolwide Building Program, Budget to Actual with Encumb by Fund, Obj, as of 5/31/2018

Copies of the reports are available in the Board office.

Preschool Promise Expansion Report

Mrs. Wagner also discussed with the Committee the following Preschool Promise Expansion report:

**Cincinnati Public Schools
Preschool Expansion - FY2018**

	CPS FY18	Rev CPS Budget	May YTD Actual	Encumbered	Balance
Revenues:					
General R/E Property Tax	13,649,553.39	13,649,553.39	14,924,369.95		(1,274,816.56)
Public Utility Personal Property Tax	1,100,847.17	1,100,847.17	1,205,636.19		(104,789.02)
Homestead Exemption	249,599.45	249,599.45	263,643.56		(14,044.11)
Less: Auditor collection fees	(165,000.00)	(165,000.00)	(230,769.61)		65,769.61
Revenues	14,835,000.01	14,835,000.01	16,162,880.09	-	(1,327,880.08)
Expenses:					
Tuition Assistance	4,504,418.00	4,504,418.00	3,953,246.88	-	551,171.12
CPS Payments to United Way	7,081,837.18	7,081,837.18	7,081,837.16	-	0.02
Cost of Quality (Wages) and WDC	57,722.00	57,722.00	-		57,722.00
** Special Education Support	880,003.95	834,941.76	300,530.57		534,411.19
Recurring administrative:	200,000.00	199,274.37	98,360.74	-	100,913.63
Expenses	12,723,981.13	12,678,193.31	11,433,975.35	-	1,244,217.96
Net Income	2,111,018.88	2,156,806.70	4,728,904.74	-	(2,572,098.04)

** Note: The Special education agreed upon allocation has been reduced to \$519,893.17 to reflect immediate staffing needs. The budget remains at \$835K in order to allow us to move quickly when the demand for services exceeds available staffing.

Mrs. Wagner reviewed the CPS Monthly Tuition Assistance Calculation report with the Committee.

Discussion: Tax Abatement Next Steps

Committee Chair Messer inquired about next steps in preparation of signing a future agreement with the City.

Mrs. Wagner informed the Committee that parties responsible for working towards a future agreement have not been identified as of yet. She reported she has begun to work on her end by meeting with a consultant that will assist in the data analysis of the Tax Abatements. She will also be recommending a contract for the consultant to do the work at the Board's July 23, 2018 Regular Business meeting.

ACTION: Mr. Messer advised Mrs. Wagner to create a timeline for discussion and management of the Tax Abatements in order to get to a future agreement. Mrs. Wagner will discuss the timeline at the July 19, 2018 Finance Committee meeting and present it to the Board at the July 23, 2018 Regular Business meeting.

Preschool Promise Finances

Mr. Polanco reported that no changes in the budget have occurred since the May 17, 2018 Finance Committee meeting. The Budget will be discussed at Preschool Promises' Finance Committee meeting.

He reported that funding for increasing income levels is included in the budget and their Finance Committee is having discussions on what is the right increase. Should the increase go to 300 percent for four-year olds, as described in the Master Agreement, and then see if monies are available to expand three-year olds to 300 percent?

He also referenced that discussions talked about it being better to give four-year olds one year of education and then create a trigger to bring in three-year olds, as opposed to increasing by income level. This would mean that three-year olds would have two years of education, and four-year olds would not. Mr. Polanco reiterated that there will be an increase in income-levels.

ACTION: These recommendations need to be discussed by the Board and Assistant Superintendent Broanax before a decision is made.

Supplier Diversity

Ms. Levins updated the Committee on her Minority Disparity Study: Update and Establishing Goals report.

Her study compared CPS' results to the City of Cincinnati's Disparity Study for school years 2013/14 – 2014/15. She commented that the District is using more minority businesses then the City, and that there is still room to grow.

DISPARITY STUDY RE-CAP:

	Cincinnati Public Schools	City of Cincinnati
Number of years in study	2	5
Number of Contracts in study	646	10,228
Average Contracts/Year	323	2,046
Total Contract \$'s	\$199,846,592	\$1,232,570,508
Average Contracts \$'s/Year	\$99,923,296	\$246,514,102
Number of Vendors	302	Not in Report

STUDY COMPARISON:

City study separated contracts into 3 categories: Construction, Professional Services, and Supplies. CPS's contracts have been split into the same 3 categories:

	CPS Contracts		CITY Contracts	
	#	%	#	%
Construction	1	0.2%	1,563	15.3%
Professional Services	414	64.0%	1,229	12.0%
Supplies	231	35.8%	7,436	72.7%

From the previous data, it can be concluded that there are significant differences between CPS's and City of Cincinnati's contract profile -number, size of contracts, and type of contracts.

Note: Data school years 2013/14 - 2014/15

DISPARITY ANALYSIS

Disparity implies an inequality or injustice rather than just an inequality; it is a subjective measure. Disparity results when there is a significant difference between an organization's actuals and the availability of minority, women, small, or locally owned businesses. The availability numbers below were developed by the City's consultants for their study and is based on number of contracts. Numbers in **BOLD** indicate disparity.

ALL CONTRACTS	<u>CPS</u>	<u>CITY</u>	<u>*AVAILABILITY</u>
Minorities	13.0%	6.1%	18.1%
Women	19.8%	11.4%	18.1%
PROFESSIONAL SERVICES			
Minorities	16.2%	12.9%	18.6%
Women	27.8%	12.6%	21.7%
SUPPLIES			
Minorities	7.4%	4.0%	15.2%
Women	5.6%	10.2%	15.8%

SUGGESTED GOALS:

Goals - Set Annually (Determined by previous fiscal year spend, future projects, and vendor availability)

Construction - Based on the industry, project being implemented, and vendor availability to bid on the project.

Professional Services –	Minority	7-10%
	Women	10-12%
	Small	10-12%
	Local	50%

Supplies/Materials/Equipment	Minority	22-27%
	Women	7-10%
	Small	15-20%
	Local	50%

Ms. Levins will update the Committee about Supplier Diversity on a quarterly basis. She will be recommending to the Board approval of her goals in the form of a resolution.

A copy of the full report is available in the Board office.

Annual Appropriations

Mrs. Wagner informed the Committee that she will be recommending the following resolutions for approval at the June 25, 2018 Regular Business meeting:

1. Fiscal Year 2017-2018 Final Annual Appropriations
2. Fiscal Year 2018-2019 Annual Appropriation

Hamilton County Tax Incentive Review Council

The Council will meet on July 24, 2018. Nathan Tayar, Accounts Receivable Supervisor, and attorney Ken Dietz will attend on behalf of the District.

Recycling/Green Initiatives

Scott Adams, Chief Operations Officer, will benchmark where the District is on Green Initiatives and present his findings at a Finance Committee meeting.

The meeting adjourned at 5:50 p.m.

Finance Committee

Ryan Messer, Chair
Melanie Bates
Ericka Copeland-Dansby, *absent*

Staff Liaisons

Laura Mitchell, Superintendent
Bill Moehring, Interim Chief Operating Officer
Jennifer Wagner, CFO/Treasurer



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Mitchell Smith

H.B. 477

132nd General Assembly

(As Reported by H. Education and Career Readiness)

Reps. Koehler, Thompson, Sweeney, Becker, Ingram, Vitale, Hambley, Brenner

BILL SUMMARY

- Amends or repeals sections in the Revised Code to eliminate various provisions and programs that relate to the Department of Education and the operation of primary and secondary schools.

CONTENT AND OPERATION

The bill eliminates several provisions regarding the Department of Education and the operation of primary and secondary schools.

Repealed provisions

Section number	Description
R.C. 3301.073	Requires the State Board of Education to furnish technical assistance regarding financial documents to school districts upon request.
R.C. 3301.0722	Requires new or modified forms used by the Department of Education to be reviewed by an education data management unit established by the Department. ¹
R.C. 3301.111	Requires the State Board to submit to the Governor and the House and Senate Education Committee chairs a report regarding the Board's efforts to focus on major policy issues and its delegation to the State Superintendent.
R.C. 3301.21	Creates the State Action for Education Leadership Fund in the State Treasury.
R.C. 3301.25	Requires the Department to distribute videotape copies of the Ohio Veterans Plaza Dedication and a related book to each secondary school in Ohio.
R.C. 3301.86	Creates the Classroom Reading Improvement Grants Program. ²

¹ Conforming change in R.C. 3301.133.

² Conforming change in R.C. 109.57(F)(5).

Section number	Description
R.C. 3301.88	Regarding criminal records checks for applicants that volunteered to help in the Classroom Reading Improvement Grants Program. ³
R.C. 3301.95	Requirement that school districts that received Title I, special education, and technology funds under the federal American Recovery and Reinvestment Act of 2009 distribute equitable amounts to nonpublic schools as provided under federal law.
R.C. 3301.96	Requirement that school districts that received federal Race to the Top grants maintain a linkage coordinator and engage in other activities for closing the achievement gap and increasing the graduation rate or have a family and civic engagement team (as provided under former law) for the life of the grant award.
R.C. 3302.037	Requires the Department of Education, by December 1, 2016, to conduct a study evaluating the validity and usefulness of using the "similar students measure" to calculate student academic progress, using a regression model to take into account demographic differences, for each public school.
R.C. 3302.30	Creates the Columbiana County Multitrack High School Curriculum Pilot Project.
R.C. 3311.061	Expresses the General Assembly's intent in authorizing urban-suburban school district annexation agreements for territory transfer under R.C. 3311.06, as amended by S.B. 298 of the 116th General Assembly (1986).
R.C. 3313.206	Requirements for establishing or maintaining a McGruff safe house for students. ⁴
R.C. 3313.711	Applies provisions regarding student health examinations in R.C. 3313.71 to nonpublic schools. The bill maintains the requirement by relocating it to R.C. 3313.71. ⁵

Amended provisions

Section number	Description
R.C. 3302.26	The Department of Education is required to create a performance management section on its public website to provide information on performance metrics for each school district. The amendment requires the Department to place this section in a prominent location on the website.
R.C. 3313.753	Removes pocket pagers from provisions regarding electronic devices that school districts may prohibit students from carrying at school.

³ Conforming change in R.C. 109.57(F)(5).

⁴ Conforming change in R.C. 2917.46.

⁵ Conforming change in R.C. 3313.71.

HISTORY

ACTION	DATE
Introduced	01-23-18
Reported, H. Education & Career Readiness	03-21-18

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