

REPORT OF THE FINANCE COMMITTEE

The Finance Committee met on Thursday, January 18, 2018 at 4:00 PM at the Cincinnati Public Schools Education Center in the Board Conference Room.

ATTENDEES

Finance Committee Members

Melanie Bates, Ericka Copeland-Dansby, Ryan Messer

Administrators

Laura Mitchell, Superintendent; Dan Hoying, General Counsel; Brittany Marks, Director, Financial Reporting and Transparency; Paul McDole, Director, Human Resources; Bill Moehring, Chief Operating Officer; Jennifer Wagner, Treasurer

Focused Capital Solutions, LLC

Nan Cahall, Managing Director

Kearney and Kearney

Eric Kearney, CEO, President

Assured Partners

Michael M. Fishel, Sr. Vice President, Sales

Community Members/Board Candidates/Parents

Debbie Allsop, Tom Conlan, Craig Rozen

Election of Committee Chair

Melanie Bates nominated Ryan Messer as Committee Chair. The Committee agreed with the recommendation and Mr. Messer accepted and was elected Chair of the Committee for year 2018

Finance Committee Meeting Schedule

The Committee agreed to conduct their meetings on the third Thursday of each month at 4:00 PM.

Governmental Relations Update

Ms. Cahall and Mr. Kearney were present and updated the Committee with the following information and projects:

ROTC

Working with Superintendent Mitchell to identify the best path to bring a Junior Reserve Officer Training Corps. Program to CPS.

Breakfast with SW Ohio Legislators

o Dater High School

Friday, February 23, 2018

- Invites to go to: Representatives Bill Blessing, Tom Brinkman, Catherine Ingram, Brigid Kelly, Alicia Reece, Bill Seitz and Senators Louis Terhar, Cecil Thomas, Steve Wilson.

Ms. Cahall reported that funding will be available for families affected by the closing of ECOT (Electronic Classroom of Tomorrow).

Treasurer Wagner advised Ms. Cahall to inform the legislature that CPS would like their local share of dollars returned to the District. She also reported that CPS has a team actively recruiting ECOT students.

Ms. Cahall talked with the Committee about the following House Bills that are contained in the January 2018 Gongwer Report.

HB 343 PROPERTY VALUES ([Merrin, D.](#))

To require local governments that contest property values to formally pass an authorizing resolution for each contest and to notify property owners. Committee Hearing in House [Ways & Means](#) (1/16/2018; REPORTED)

HB 371 PROPERTY TAX ([Merrin, D.](#))

To exempt from property taxation the increased value of land subdivided for residential development until construction commences or the land is sold. Committee Hearing in House [Ways & Means](#) (1/16/2018; REPORTED-AMENDED (No testimony)).

The full list of bills contained in Gongwer’s report is available in the Board office.

ACTION: Mr. Messer will inform the Board about signing a resolution in opposition of the above bills. Treasurer Wagner will review the bills to see if there is an impact and as well as sending a letter to the state. Mr. Hoying will find out what OASBO is asking the Board to do in relation to the bills and will then determine to support or not support the bills.

Committee member Bates informed the Committee that [Secretary Betsy Devos](#) approved Ohio’s ESSA (Every Student Succeeds Act) Plan on January 16, 2018.

Ms. Bates reported that the Council of the Great City Schools Legislative Conference is March 17-20, 2018 in Washington, DC.

ACTIONS: Committee Chair Messer requested the following:

1. Information on how districts are classified and how that impacts CPS.
2. Information on the tax abatement process and property values. Citizens need to understand how the abatements affect school funding. A conversation on this needs to take place.
3. What the cost is per CPS and Charter school students.

District Insurance Update

Mr. Fishel provided the Committee with a summary of the District’s following insurance policies:

Foreign Liability	March 1, 2018 – Renewal Date
General, School Board and Excess and Auto Liability	March 15, 2018 – Renewal Date
Crime	April 11, 2018 – Renewal Date
Treasurer’s Bond	July 31, 2018 – Renewal Date
Athletic Student Accident	August 1, 2018 – Renewal Date
Head Start Accident	October 10, 2018 – Renewal Date
Fine Arts Floater	October 27, 2018 – Renewal Date

Pollution (Five Year Policy)	October 3, 2018 – Renewal Date
Assured Partners Service Contract	November 1, 2018 – Renewal Date
Property and Boiler	December 1, 2018 – Renewal Date
Federal Flood Insurance (Riverview East)	December 18, 2018 – Renewal Date

Mr. Fishel informed that group that liability and property are the biggest buckets.

He reported to the Committee about the market outlook and advised that 2017 was a challenging year for commercial property insurance companies. Natural catastrophes, including western fires, and multiple hurricanes and flood events will likely increase what carriers pay for their reinsurance for at least the next 12 to 24 months.

He advised that one bright spot may be that as carriers shy away from writing property insurance coverage in catastrophe-prone areas (Florida, up the Eastern seaboard, and West over to and including Texas, and California), they will seek to write more business in non-catastrophe-prone areas such as Ohio. This could result in fewer rate increases in our geographic area versus other parts of the country.

Rates for automobile liability coverage are rising faster than any other line of coverage due to the dramatic increase in claims associated with distracted driving. Accounts which take a proactive approach to banning cell phone use in moving vehicles and installing safety features such as Drop Stop (goes in between seats to prevent personal items from dropping to the vehicle floor) in every vehicle, and providing enhanced driver safety training programs are likely to experience more moderate rate/premium increases.

He reported that the cost of the District's general and school board liability coverage is primarily based upon three factors: 1. Student enrollment, 2. number of employees, and 3. loss history.

Assuming enrollment and employee counts continues to increase, the District may see a proportional increase cost for these two lines of coverage. As for loss history, CPS has one of the most favorable loss records of any urban district in the entire country and, thus, he does not expect losses to impact future costs unless something changes dramatically in the future.

He informed the Committee that CPS' long-term relationship with Genesis also contributes to their projection of future stable, future general and school board liability rates/premiums. Because CPS pays for defense costs plus the first \$250,000 of each claim, the District has considerable sway over how and by whom its claims are handled. Genesis is unusual in the amount of leeway and latitude that it gives CPS to control and process its claims. It is doubtful that any other carrier would be as accommodating in this regard as Genesis has proven to be over the years. The validity of this statement was borne out several years when CPS changed to ACE from Genesis for short period of time. The ACE claims adjusters were very intrusive and overly burdensome to deal with. The change back to Genesis a few years ago has served CPS extremely well. He looks forward to helping the parties continue this important and strong relationship.

Mercy Dental Clinic at CPS School Update

Mr. Moerhing will provide an update at the February 15, 2018 Finance Committee meeting.

Professional Development for Paraprofessionals

Superintendent Mitchell reported that Human Resources has a relationship with Mt. St. Joseph and processes are in the works to assist paraprofessionals who have a Bachelors or Master's degree to get licensed in order to teach in the District.

She also reported that she is working with Miami University on a program for Paraprofessionals who do not have degrees to get credentialed to teach. Mrs. Mitchell informed the group that the program is extensive and a financial burden for the Paraprofessionals to accommodate the tuition. The schooling would need to take place on Miami's campus. Mrs. Mitchell is researching for possible grants to pay the tuition.

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 December 2017.

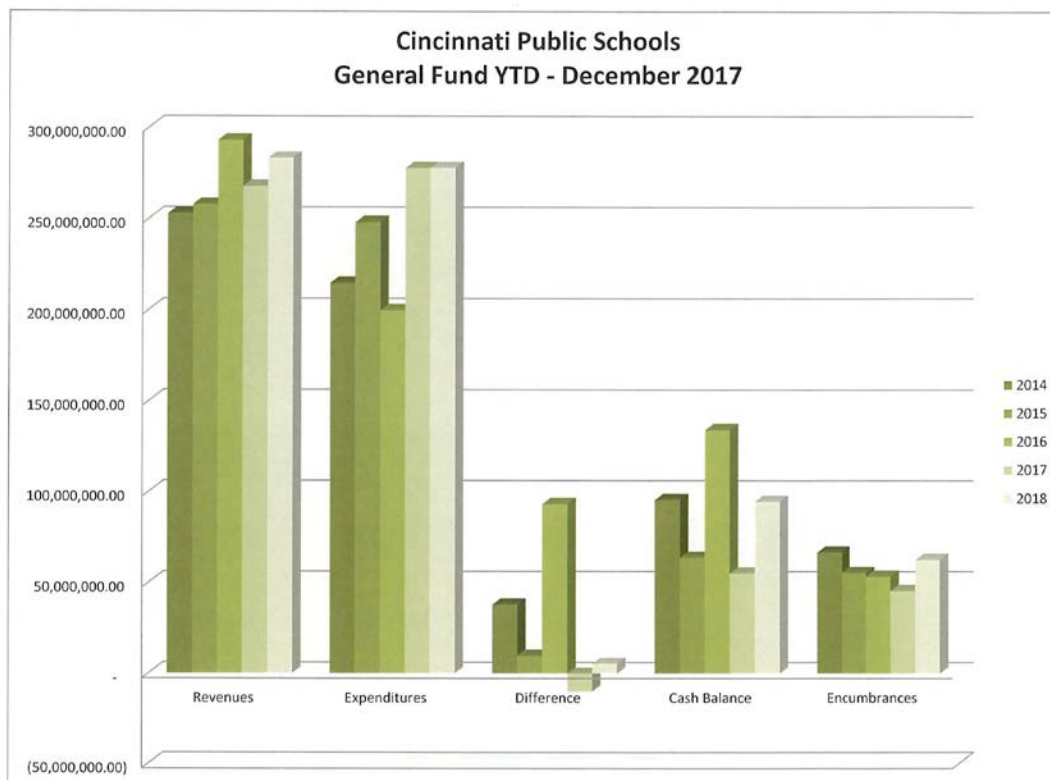
- Revenues – Operating revenues continue to trend higher than FY17 by \$22.5M due to increases in property tax revenue and state aid (Increased enrollment).
- Expenditures – approximately the same as last year. The District spent 46% of estimated total expenditures, compared to an average of 45% over the last four years.

Preschool Expansion Financial Report:

- CPS Tuition assistance review

Schoolwide Pool (Fund 598):

- Revenues – \$89.6M of anticipated \$199.4M (44.9%)
- Expenditures – \$89.6M of anticipated \$199.4M (44.9%)



State & Federal Grants Summary

	State	Federal	Combined
Beg. Cash	160,203.97	9,033,883.07	9,033,883.07
Receipts YTD	7,144,522.81	26,105,036.87	26,105,036.87
Expenditures YTD	5,960,177.41	31,372,614.34	31,372,614.34
Encumbrances	665,427.54	6,331,834.89	6,331,834.89
Unencumbered Cash	679,121,.83	(2,565,529.29)	(1,886,407.46)
Estimated Receipts	\$ 15,115,192	\$59,905,380	\$75,020,572
% Received of total	47.3%	43.6%	44.3%

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>1222 WHT LLC</u>	12-years	\$4,335.17	\$52,022.05
<i>Description:</i> improvements made to real property located at 1222 William Howard Taft Road in the East Walnut Hills or Walnut Hills neighborhood of Cincinnati, in connection with the remodeling of the building thereon into residential apartments.			
(B.) <u>225,227 Gilman</u>	12-year	\$2,862.85	\$34,354.19
<i>Description:</i> improvements made to the real property located at 225 and 227 Gilman Avenue in the Mt. Auburn neighborhood of Cincinnati, in connection with the remodeling of the building on an existing building into 6 residential rental units.			
(C.) <u>Maplewood & Kinsey</u>	12-years	\$8,179.57	\$98,154.81
<i>Description:</i> improvements made to real property located at 1413 and 1415 Republic Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of the existing building thereon into approximately 3,400 square feet of office space			
(D.) <u>MPC Management LLC</u>	8-years	\$1,922.20	\$15,377.59
<i>Description:</i> improvements made to real property located at 4511 Reading Road in the Paddock Hills neighborhood of Cincinnati in connection with the construction of an expansion of an existing industrial facility			

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

- CPS General Fund Financial Report as of December 2017
- Cash Summary By Fund as of December 2017
- General Fund 001 – Budget to Actual with Encumb by Fund, Obj, as of December 31, 2017
- Fund 598 – Schoolwide Building Program, Budget to Actual with Encumb by Fund, Obj, as of December 31, 2017
- Cash Summary by Fund; As of December 2017: State, Federal and Combined Funds

Copies of the reports are available in the Board office.

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

Cincinnati Public Schools Preschool Expansion – FY2018

**Cincinnati Public Schools
Preschool Expansion - FY2018**

	CPS FY18	Rev CPS Budget	DEC YTD Actual	Encumbered	Balance
Revenues:					
General R/E Property Tax	13,649,553.39	13,649,553.39	6,643,525.27		7,006,028.12
Public Utility Personal Property Tax	1,100,847.17	1,100,847.17	581,685.47		519,161.70
Homestead Exemption	249,599.45	249,599.45	135,154.65		114,444.80
Less: Auditor collection fees	(165,000.00)	(165,000.00)	(86,813.69)		(78,186.31)
Revenues	14,835,000.01	14,835,000.01	7,273,551.70	-	7,561,448.31
Expenses:					
* Tuition Assistance	4,504,418.00	4,504,418.00	1,760,358.72	-	2,744,059.28
CPS Payments to United Way	7,081,837.18	7,081,837.18	3,540,918.58	3,540,918.60	-
Cost of Quality (Wages) and WDC	57,722.00	57,722.00	-		57,722.00
** Special Education Support	880,003.95	834,941.76	133,577.37		701,364.39
Recurring administrative: Expenses	200,000.00	199,274.37	51,330.49	-	147,943.88
	12,723,981.13	12,678,193.31	5,486,185.16	3,540,918.60	3,651,089.55
Net Income	2,111,018.88	2,156,806.70	1,787,366.54	(3,540,918.60)	3,910,358.76

Note: CPS has not recorded expenses for Tuition Assistance to date as we are finalizing the method on recording Classroom expenses versus individual student assistance.

** 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.

CPS Preschool Expansion Budget

**CPS Reduced Special Ed Support Team
12.31.17**

		FTE	\$	Cost	July	Aug	Sep	Oct	Nov	Dec	YTD
Diagnostic Team:											
Psychologist	Looby	1.00	75,868.00	75,868.00		2,507.41	5,014.82	5,014.82	5,113.58	7,620.99	25,271.62
PS Disabilities Teacher	Fink	1.00	66,759.00	66,759.00					4,072.30	5,555.91	9,628.21
OT/PT	Zink	0.50	68,930.00	34,465.00					9,435.37	4,043.73	13,479.10
Speech & Language Therapist	Etheridge	1.00	70,485.00	70,485.00		2,384.57	4,769.14	4,769.14	4,769.14	7,153.71	23,845.70
				247,577.00	-	4,891.98	9,783.96	9,783.96	23,390.39	24,374.34	72,224.63
Itinerant Teacher	Riblet	1.00	66,759.00	66,759.00					2,221.30	6,322.14	8,543.44
Speech & Language Therapist	Peters	1.00	70,485.00	70,485.00		2,272.30	4,539.50	4,544.60	4,633.95	6,727.55	22,717.90
				137,244.00	-	2,272.30	4,539.50	4,544.60	6,855.25	13,049.69	31,261.34
Benefits @ 35.1%				135,072.17		1,225.05	4,784.29	4,784.72	8,008.19	11,289.15	30,091.40
Total CPS Special Ed Support Team				519,893.17	-	8,389.33	19,107.75	19,113.28	38,253.83	48,713.18	133,577.37
Administration:											
Admin	Bagayoko	1.00	95,611.00	95,611.00		7,283.26	7,283.26	7,890.20	7,283.26	10,924.89	40,664.87
Accountant	vacant	1.00	52,000.00	52,000.00							-
Benefits @ 35.1%				51,811.46		1,915.50	1,915.51	2,017.44	1,926.87	2,890.30	10,665.62
				199,422.46	-	9,198.76	9,198.77	9,907.64	9,210.13	13,815.19	51,330.49

Community Support

School Community Coordinator - 52 week	0.50	45,001.57	22,500.79								
Benefits @ 35.1%			7,897.78								
			30,398.56								
assuming person hired as of Dec 1 (7 months til June 30)			17,732.49								

CPS Preschool Expansion Budget

CPS Monthly Tuition Assistance Calculation

per day \$ 52.32
half day 26.16

CPS AUGUST

	DLY RATE	#	# days enrolled			Tuition calculation				Cumulative		
			FT	HT	Blank	FT	HT	Blank	Total			
PSEO Preschool Promise only	52.32	285	250	36	0	2,634	429		137,810.88	11,222.64	149,033.52	
PSEE SPLIT: ECE & Preschool Promise	26.16	212	212			2,374			62,103.84		62,103.84	
PSFO SPLIT: FED & Preschool Promise	26.16	3				36			941.76		941.76	
		500	462	36	0	5,044	429	-	200,856.48	11,222.64	212,079.12	212,079.12

498

CPS SEPTEMBER

	DLY RATE	#	# days enrolled			Tuition calculation						
			FT	HT	Blank	FT	HT	Blank	Total			
PSEO Preschool Promise only	52.32	319	282	37	0	5,083	702		265,942.56	18,364.32	284,306.88	
PSEE SPLIT: ECE & Preschool Promise	26.16	226	226	0	0	4,196	-	-	109,767.36		109,767.36	
PSFO SPLIT: FED & Preschool Promise	26.16	3	3			57			1,491.12		1,491.12	
		548	511	37	0	9,336	702	-	377,201.04	18,364.32	395,565.36	607,644.48

548

CPS OCTOBER

	DLY RATE	#	# days enrolled			Tuition calculation						
			FT	HT	Blank	FT	HT	Blank	Total			
PSEO Preschool Promise only	52.32	344	307	37		6,339	778		331,656.48	20,352.48	352,008.96	
PSEE SPLIT: ECE & Preschool Promise	26.16	229	229			4,777			124,966.32		124,966.32	
PSFO SPLIT: FED & Preschool Promise	26.16	3	3			21			549.36		549.36	
		576	539	37	0	11,137	778	-	457,172.16	20,352.48	477,524.64	1,085,169.12

576

CPS NOVEMBER

	DLY RATE	#	# days enrolled			Tuition calculation						
			FT	HT	Blank	FT	HT	Blank	Total			
PSEO Preschool Promise only	52.32	362	325	37		5,455	629		285,405.60	16,454.64	301,860.24	
PSEE SPLIT: ECE & Preschool Promise	26.16	233	233			3,920			102,547.20		102,547.20	
PSFO SPLIT: FED & Preschool Promise	26.16	3	3			51			1,334.16		1,334.16	
		598	561	37	0	9,426	629	-	389,286.96	16,454.64	405,741.60	1,490,910.72

598

CPS DECEMBER

	DLY RATE	#	# days enrolled			Tuition calculation						
			FT	HT	Blank	FT	HT	Blank	Total			
PSEO Preschool Promise only	52.32	374	337	37		3,652	407		191,072.64	10,647.12	201,719.76	
PSEE SPLIT: ECE & Preschool Promise	26.16	233	233			2,556			66,864.96		66,864.96	
PSFO SPLIT: FED & Preschool Promise	26.16	3	3			33			863.28		863.28	
		610	573	37	0	6,241	407	-	258,800.88	10,647.12	269,448.00	1,760,358.72

610

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1/16/2018

Financial Audit Update

Treasurer Wagner reported that the audit was completed on time and has been filed and submitted and there was an unmodified opinion. The financial statements were presented, in all material respects, in accordance with applicable financial reporting framework. The auditors will discuss the audit with the Board on February 12, 2018 in Executive Session.

New Year Budget Discussion

Mrs. Wagner reported that she will be presenting a first draft of the budget at the April 19, 2018 Finance Committee meeting.

Investment Update

Ms. Marks informed the Committee that interest earned on the District’s investments and bank accounts are updated in January and July. Ms. Marks discussed the following 2018 Fiscal Year-to-Date Interest Report through December 17, 2017. Her next update will be July 2018.

**Cincinnati Public Schools
2018 Fiscal Year-to-Date Interest
December 31, 2017**

Fund	Description	Interest			Dividends			Realized Gains/Losses		
		Estimated	Actual	Balance	Estimated	Actual	Balance	Estimated	Actual	Balance
001	General Fund				100.00	92.60	7.40			
001	General Fund	450,000.00	262,688.26	187,311.74				50,000.00	23,883.00	26,117.00
001	General Fund	500,000.00	286,587.74	213,412.26				75,000.00	1,217.26	73,782.74
001	General Fund	77,681.00	89,339.53	(11,658.53)						
002	2010 QSCB	200,000.00	183,178.83	16,821.17	-	36.71	(36.71)			
002	2010 QSCB				-	9.76	(9.76)			
002	2011 QSCB	15,000.00	19,972.60	(4,972.60)						
002	2012 QSCB				30.00	37.09	(7.09)			
002	2012 QSCB	75,000.00	79,140.06	(4,140.06)	-	32.34	(32.34)			
002	City/County Stadium Payments				3,000.00	2,852.01	147.99			
003	Permanent Improvement	8,000.00	7,935.19	64.81	21,000.00	20,689.13	310.87			
003	Permanent Improvement	10,696.53	10,697.68	(1.15)	-	0.08	(0.08)			
007	West High Trust				-	5,938.15	(5,938.15)			
007	William J Eckman Trust				-	10,824.95	(10,824.95)			
007	Rhodapearl K Bayha Trust	-	4,684.70	(4,684.70)						
008	Robert Bauer Endowment	-	1,735.59	(1,735.59)	-	2,857.31	(2,857.31)			
024	Wellness	-	30.91	(30.91)						
401	Auxiliary	-	134.46	(134.46)						
All	Total	\$1,336,377.53	\$946,125.55	\$390,251.98	\$24,130.00	\$43,370.13	\$(19,240.13)	\$125,000.00	\$25,100.26	\$99,899.74

Preschool Promise Finances

An update will occur at the February 15, 2018 Finance Committee meeting.

Committee Work Plan

Treasurer Wagner will provide Board Staff with an updated plan for discussion at the February 15, 2018 Finance Committee meeting.

Other Business

Implications of Tax Budget

Mrs. Wagner informed the Committee about implications of the Tax Budget. She discussed the following impacts with the group.

1. The elimination of the ability to Advance Refund (refinance) Tax Exempt Bonds;

2. The reduction of the corporate tax rate; and
3. The elimination of the federal deduction for state and local income tax and capping of the SALT (State and Local Taxes) deduction for property taxes at \$10,000.

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

Green Township Tax Incentive Review Council

Mr. Hoying reported that Green Township is asking for a CPS Representative to be on their Tax Incentive Review Council. The first meeting is February 12, 2018, 5:30 p.m. The Committee will recommend to the Board that Ken Dietz, consultant, and Dave DiMuzio, outside counsel for CPS, represent the District.

Letter: Amendment to Green Township 1994 Tax Increment Resolution

Mr. Hoying informed the Committee about Green Township's Board of Trustees letter to consider the adoption of a Resolution amending the Tax Increment Financing Resolution that was adopted by the Trustees on June 27, 1994.

The purpose of the amendment will be to extend the exemption of improvements to the real estate parcels include in the 1994 Resolution for an additional period of fifteen years. The exemption presently runs until June 27, 2024. The amendment will extend the exemption to June 27, 2039.

Proposed Stadium

Committee Chair Messer advised the Committee of the need to begin the conversation in preparation of FC Cincinnati's request for purchase of CPS property.

Vandercar

The Committee will recommend to that Board that a discussion take place to determine the status of the request of J. Robert Smyjunas, Chief Executive Officer, Vandercar, relating to TIFs.

The meeting adjourned at 6:02 PM

Finance Committee

Ryan Messer, Chair
Melanie Bates
Ericka Copeland-Dansby

Staff Liaisons

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