

REPORT OF THE FINANCE COMMITTEE

The Finance Committee met on Tuesday, November 21, 2017 at 11:30 AM at the Cincinnati Public Schools Education Center in the Board Conference Room.

ATTENDEES

Finance Committee Members

Chairperson Melanie Bates, Eve Bolton, Carolyn Jones

Administrators

Dan Hoying, General Counsel; Trina Levins, Director – Fiscal Services; Laura Mitchell, Superintendent; Paul McDole, Director – Human Resources; Bill Moehring, Chief Operating Officer; Lauren Roberts, Internal Auditor; Laura Sanregret, Teacher, Dater Montessori and CPS representative on CPP Board; Jennifer Wagner, Treasurer; Lauren Worley, Chief Strategic Communications Engagement Officer

Focused Capital Solutions, LLC

Nan Cahall, Managing Director

Kearney and Kearney

Eric Kearney, CEO, President

Cincinnati Federation of Teachers

Angel Green

Amberley Village

Scot F. Lahrmer, Village Manager

Community Members/Board Candidates/Parents

David Brenner, Tom Conlan

Governmental Relations Update

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

- 11-14-17 CPS Meetings with Superintendent Laura Mitchell, Board Member Melanie Bates and Board Member Carolyn Jones and Legislator Leaders in Columbus.

Coffee Attendees

- Representative Andrew Brenner, Chairman, House Education Committee
- Representative Tom Brinkman, House District 27
- Representative Adam Miller, Ranking Minority Member Finance Subcommittee on Primary & Secondary Education
- Senator Vernon Sykes, Vice Chair, Finance: Primary & Secondary Education
- Senator Charleta Tavares, Senate Assistant Minority Leader
- Senator Cecil Thomas, Assistant Minority Whip, Senate District 9
- Senator Steve Wilson, Senate District 7
- Representative Bigid Kelly Staff Hope Lang, House District 31
- Mr. Andy DePalma, COS, House Minority Leadership
- Representative Alicia Reece Staff, District 33

Individual Meetings

- Senator Larry Obhof, President of the Ohio Senate
- Representative Andrew Brenner, Chair, House Education & Career Readiness Committee
- Representative Dan Ramos, Member, House Education & Career Readiness Committee
- Representative Bill Blessing, Member, Finance: Primary & Secondary Education Subcommittee, District 29

Press Conference with Senator Peggy Lehner, Chair, Senate Education

- Introduction of the SAFE Act
 - Breakfast with SW Ohio Legislators
 - Need to identify a new date

Ms. Cahall reported that the meetings went well on November 14 in Columbus. She shared that the recognition CPS is getting for its innovation and leadership is most encouraging.

Committee member Bolton reported that Governor Kasich spoke during one of the sessions at the Ohio School Boards Association (OSBA) Capital Conference. He highlighted the following things that CPS is already doing and/or doing well:

- Guidance Counselors at Every High School
- Mental Health Services at Every School
- Drug Abuse Counseling/Services
- Business Councils for All Districts
- Marietta School District – doing well with career skills

Ms. Bolton recommended connecting with the Governor's office and inviting him to visit schools and programs at CPS.

Treasurer Wagner shared that she received an email from OSBA asking her to provide testimony on November 28, 2017 regarding House Bill 200. She will forward the email to the Committee and Ms. Cahall and Mr. Kearney.

Committee Chair Bates questioned if the Board has a position that can guide Treasurer Wagner. Ms. Wagner will create a financial impact statement on the position, and will then send to the full Board. Once the full Board agrees on the position, she will be able to testify on the financial impact of the bill.

Cincinnati Preschool Promise (CPP) Updates

Stephanie Byrd, Interim Executive Director, Cincinnati Preschool Promise, emailed the Committee on November 20, 2017 to report that CPP will not be able to attend the Finance Committee meeting on November 21, 2017. She reported that updated information on CPP activities was sent to Cheryl Broadnax, Assistant Superintendent, last Friday to include in the weekly update. She will not have a CPP update this week due to the holiday. The policy on Unspent Funds was tabled this month and will be reviewed by the CPP Finance Committee at its next meeting.

Village of Amberly – Tax Increment Financing

Scot F. Lahrmer, Village Manager

Dan Hoying, General Counsel

Dan Hoying introduced Scot F. Lahrmer to the Committee. Amberly Village submitted a proposal for a tax abatement to CPS. It is a 30-year Tax Increment Financing agreement for a Mercy Health development project along Ronald Reagan Highway.

Mr. Hoying reported that Dave DiMuzio, outside counsel for CPS, and Ken Dietz, consultant, have reviewed the proposed agreement. Both estimate that the District will be made whole by the 32.68 percent service payments in lieu of taxes throughout the life of the TIF. There will be no deferment.

Mr. Lahrmer reported the Village Council plans to take action at its meeting on December 11, 2017.

ACTION: The Committee agreed with the TIF agreement and will recommend approval at the December 4, 2017 Regular Board meeting.

Supplier Diversity Update

Trina Levins, Director - Fiscal Services

Rod Trombley, Executive Services Corp of Cincinnati

Trina Levins and Rod Trombley reported to the Committee the results of the CPS Vendor Analysis, with the following objectives:

- Research and collect data for CPS vendors/consultants for Minority-owned, Woman-owned, Locally-owned, and Small businesses.
- Analyze CPS vendors for utilization of Minority-owned, Woman-owned, Locally-owned, and Small businesses.
- Review totals based on number of businesses and dollars.
- Vendors were classified as businesses and consultants (individuals).

Background - Comparison

	<u>CPS-Vendors</u>	<u>CPS-Contracts</u>
Number of years in study	3	2
Number of Vendors in study	4,594	302
Total Dollar Spend	\$447,684M	\$199,847M

NOTE: CPS-Vendors Dollars are actual dollars spent; CPS-Contracts Dollars are contract dollars, where a contract could be multiple years.

Study Results-Number of Vendors

	<u>CPS-Businesses</u>			<u>CPS-Individuals</u>			<u>TOTAL</u>		
	<u>#</u>	<u>Total</u>	<u>%</u>	<u>#</u>	<u>Total</u>	<u>%</u>	<u>#</u>	<u>Total</u>	<u>%</u>
Minority-Owned	427	3,265	13.1%	401	734	54.7%	828	3,999	20.7%
Woman-Owned	661	3,329	19.9%	446	710	62.8%	1,107	4,039	27.4%
Locally-Owned	1,557	3,463	44.5%	595	649	91.7%	2,152	4,112	52.3%
Small Businesses	1,347	3,460	38.9%	755	755	100%	2,102	4,215	49.9%

Note: CPS-vendor may fall into more than one category

Study Results-Dollars vs Vendor Comparison

	\$ (M)	%	#	%
Minority-Owned	\$35,519	8.0%	828	20.7%
Woman-Owned	\$35,759	8.0%	1,107	27.4%
Locally-Owned	\$258,808	57.9%	2,152	52.3%
Small Businesses	\$46,513	10.4%	2,102	49.9%

Summary of Conclusions:

- Number of vendors is a better indicator for diversity analysis versus vendor dollars.
- Large vendor dollar business purchases can greatly affect diversity statistics.
- The top 5 vendors represent \$189,855M, or 46 percent of total Vendor purchases.
- Regarding vendors size, the majority of CPS vendors used for Minority-owned and Woman-owned businesses are Small businesses.
- Individuals used as consultants/vendors had a very high utilization of woman and minority resources. Woman – 62.8 percent; Minority – 54.7 percent.

- It is recommended that comparisons be made with other large school districts on diversity procurement statistics. For example, Columbus City Schools has a goal of 20 percent.

Ms. Levins reported that the CPS vendor database will be updated with the results, and the internal process will also be updated.

Treasurer Wagner shared that they plan to compare the diversity statistics with the City of Cincinnati and Council of the Great City Schools.

ACTION: Supplier Diversity Update will be added to the Finance Committee Workplan, reported semiannually.

Marketing Plan for Closing Charter Schools

Lauren Worley, Chief Strategic Communications Engagement Officer

As reported at last month's Committee meeting, Ms. Cahall informed the group that ECOT (Electronic Classroom of Tomorrow) will be closing in December 2017, and Superintendent Mitchell reported that the District is targeting those students to offer them enrollment options into the District.

Lauren Worley presented to the Committee the plan to recruit and enroll the 335 CPS students who are enrolled at ECOT. The goal is to create a memorable and positive experience for ECOT parents as we aim to recruit and enroll their students at CPS.

Ms. Worley stated that parents who have enrolled their students at an online school have chosen that path for a reason and will want to keep their children in an online school. Therefore, Cincinnati Digital Academy (CDA) would be a good option. Research is being done with CDA parents to determine:

- Why did they choose CDA?
- What benefits are they experiencing for their students?
- What could enhance their experience?
- How willing are they to recommend CDA to other parents?

The Committee said the orientation process should be as easy as possible. Ms. Worley agreed and said they are working on the process and will report more soon.

CDA is considered a Magnet School, however, in practice is treated more as a Neighborhood School. The Committee discussed the possibility of formally changing status from a Magnet School to a Virtual Neighborhood School.

Treasurer Financial Updates

As the meeting time was running short, Ms. Wagner stated that her report was provided to the Committee as written.

Monthly and Year-to-Date Revenue and Expenditures

The following information is for General Fund monthly statements through October 2017.

- Revenues - \$27M higher than the previous year, \$23M due to new levy collections and \$11.6M Property Tax Allocation received in October rather than November/December in the previous year.

- Expenditures - \$63.8M higher than the previous year, due to preschool expansion and growth in enrollment related expenses. Also the schoolwide transfer was booked each month whereas in previous years, the transfer did not begin until November.

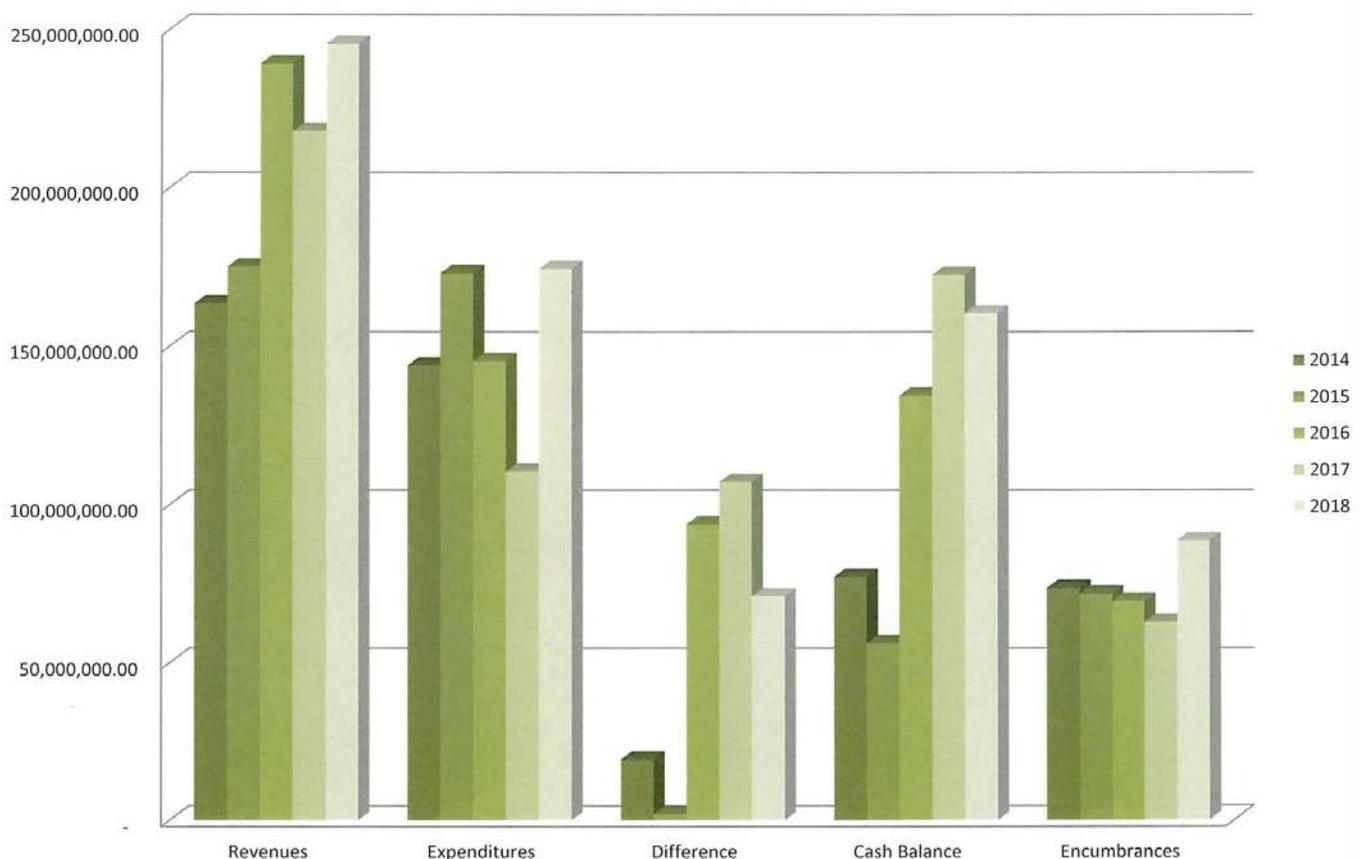
Preschool Expansion Financial Report: (New)

- Payroll coding corrections to be reflected in November.
- Tuition Assistance Calculations – draft

Schoolwide Pool (Fund 598):

- Revenues – \$53.1M of anticipated \$197.9M (26.8%)
- Expenditures – \$53.1M of anticipated \$199.3M (26.6%)

Cincinnati Public Schools General Fund 2017/18 YTD October



State & Federal Grants Summary:

	State	Federal	Combined
Beg. Cash	160,203.97	9,033,883.07	9,194,087.04
Receipts YTD	3,964,457.09	12,970,765.51	16,935,222.60
Expenditures YTD	4,566,053.08	24,059,501.70	28,625,554.78
Encumbrances	807,480.30	7,215,992.64	8,023,472.94
Unencumbered Cash	(1,248,872.32)	(9,270,845.76)	(10,519,718.08)
Estimated Receipts	\$ 13,671,919.17	\$40,419,300.73	\$ 54,091,219.90
% Received of total	29.0%	32.1%	31.3%

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

Payment In Lieu of Tax Agreements

The following Payment In Lieu of Tax Agreements will be submitted in the Treasurer’s Report for Board approval at the December 4, 2017 Regular Board meeting.

Agreement	Years of Agreement	Estimated Annual Revenue	Estimated Total Agreement Revenue
(A.) <u>Morgan Apartments</u>	12-years	\$66,139.14	\$793,669.63
<i>Description:</i> the improvements made to the real property located at 19-27 W. Clifton Ave., 53 E. Clifton Avenue, 1900 Vine Street, 1902-1904 Vine Street, and 2 E. McMicken Avenue in the Over-the-Rhine neighborhood of Cincinnati in connection with the remodeling of existing buildings into 48 residential units and approximately 1,690 square feet of commercial space.			
(B.) <u>OH-UC Holdings</u>	15-years	\$41,890.29	\$6,478,354.3667
<i>Description:</i> the improvements made to the real property located at 424 Straight Street in the CUF neighborhood of Cincinnati in connection with the construction of a residential apartment building located on such real property.			
(C.) <u>1415 Republic LLC</u>	12-years	\$2,988.46	\$35,861.52
<i>Description:</i> improvements made to the 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.			

As part of the Preschool Expansion, it is the Treasurer’s responsibility to provide financial reports to Cincinnati Preschool Promise. Ms. Wagner prepared the following methodology, which will be used for the November statements, which will be published in December

CPS Budget Method

- **By School** *(based upon student projections)*
 - Classroom Teacher Avg. Salary + benefits
 - Classroom Paraprofessional Avg. Salary + benefits
 - School Supplies etc – per pupil allocation
- Classrooms – mixed funded students
- Preschool Expansion Tuition assistance budget in Special Cost Center
- Monthly journal entry to cost allocate Preschool expansion costs to PS expansion cost center

PS Tuition Calculation methodology

Daily cost - \$8,581/164 instructional days = \$52.32

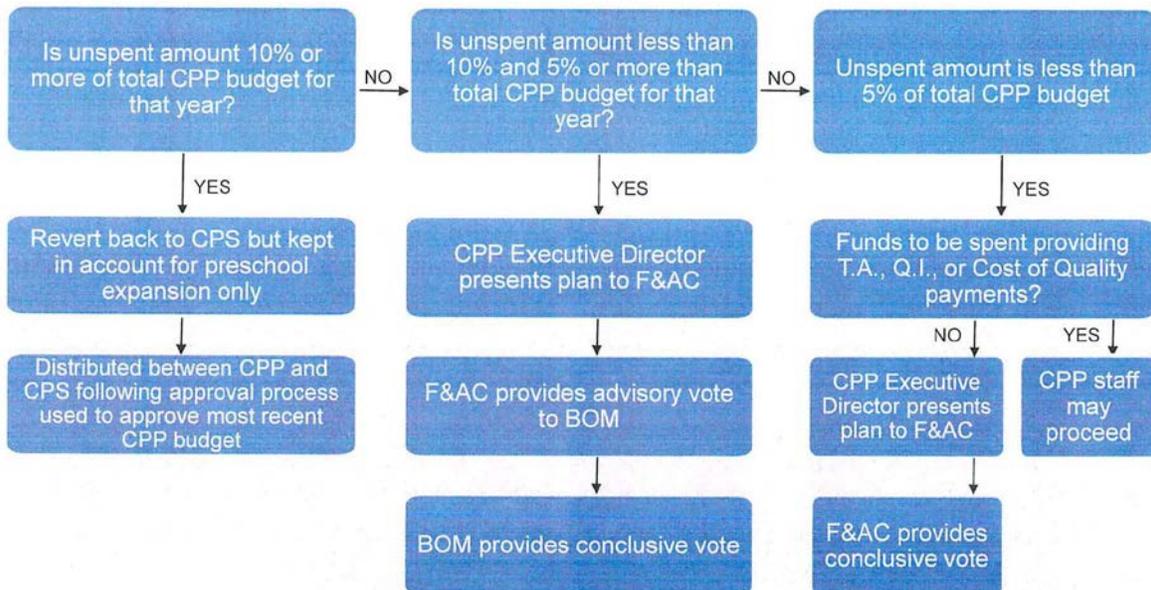
	Full Day CPP funding (PSEO)	Half Day CPP Funding (PSEE)	Combined
Daily rate	\$ 52.32	\$ 26.16	
# of students	451	253	
# of days full year	164	164	
Max days	73,964 days enrolled	41,492	
Max Annual Value	\$ 3,869,796	\$1,085,431	\$ 4,955,227
# of days – Nov 20 <i>63 instructional days</i>	21,684 (76%)	14,858 (93%)	
Nov 20 cost	\$ 1,134,576	\$ 388,709	\$ 1,523,284
YE Estimate	76% x 3,869,796 = \$ 2,941,045	93% x 1,085,431 = \$ 1,009,451	\$3,950,496

- Values need to be adjusted for half day students
- Headstart 164 instructional days, Montessori 173 instructional days

Unspent Funds Policy for CPP

The Committee discussed the CPP Carryover Policy Summary presented by Treasurer Wagner.

CPP Carryover Policy Summary



Legend:
 CPP = Cincinnati Preschool Promise, LLC
 CPS = Cincinnati Public Schools
 BOM = CPP Board of Managers
 F&AC = CPP Finance & Audit Committee

The policy is to provide guidance on how CPP will handle situations with funds that were budgeted for CPP's use but remained unspent and unaccrued for at the end of the budget period.

Ms. Wagner informed the Committee that she reached out to David Yost, Ohio Auditor of State, on what their requirements are on unspent dollars. The Auditor advised to set an agreed limit of funds to avoid an excessive cash balance. Unspent funds would be returned to CPS' General Fund. Treasurer Wagner reported that any unspent amount over \$700,000 will revert back to CPS.

The Finance Committee has concerns about this policy and questioned if the new budget will be reduced by the amount of any carryover.

Mrs. Wagner reported that CPP will be considering this policy again on December 21 at the next CPP Finance Committee meeting.

Other Business

Depository Agreements

Treasurer Wagner reported that there will be five depository agreements included in the Treasurer's Report at the December 4, 2017 Regular Board meeting.

Audit Committee Appointments and Charter

Lauren Roberts, Internal Auditor, reported that the Audit Committee met on October 24, 2017 and recommended the following individuals be appointed with the standard three-year terms to begin on January 1, 2018 through December 31, 2020:

Jennifer Couser Christine Fisher Carol Lawrence Clarice Warner

The Audit Committee also recommended approval of the drafted changes to the Audit Committee Charter to outline the process of appointing future members, soliciting additional appointees, and how to clarify the selection process.

ACTION The Committee agreed with the recommendations of the Audit Committee and will submit for approval both the appointments to the Audit Committee and the revised Audit Committee Charter at the December 18, 2017 Regular Board Meeting.

Agenda Items for Next Meeting – December 19, 2017

The following agenda items will be carried over to the December Finance Committee meeting:

- Update from Reconciliation Specialist
- Assumptions on Which Budget is Based
- Professional Development for Paraprofessionals

The meeting adjourned at 1:28 PM

Finance Committee

Melanie Bates, Chair
Eve Bolton
Carolyn Jones

Staff Liaisons

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