

REPORT OF THE FINANCE COMMITTEE

The Finance Committee met on Tuesday, September 26, 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

Daniel Hoying, General Counsel; Brittany Marks, Director of Financial Reporting and Transparency; Barb Mattei-Smith, Director of Performance and Accountability; Bill Moehring, Chief Operating Officer; Lauren Roberts, Internal Auditor; Amy Twarek, Assistant Treasurer

Focused Capital Solutions, LLC

Nan Cahall, Managing Director

Kearney and Kearney

Eric Kearney, CEO, President

Robert Smyjunas, Vandercar

Community Members/Board Candidates/Parents

David Brenner, Tom Conlan, Craig Rozen

Governmental Relations Update

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

- Ohio School Management Associations:
Ohio Association of School Business Officials, Ohio School Boards Association, Buckeye Association of School Administrators.

Ms. Cahall informed the Committee that she and Mr. Kearney met with those organizations to ensure that they are not advocating for the same concerns and that they are in support of those organizations.

Top issues

Ms. Cahall reported that she met with the District's administration and learned about their following concerns.

- Teachers evaluation system needs to be worked on. Legislation expected to be introduced this fall.
- Common Core standards and testing elimination are under consideration.
- Income based voucher bills. It is called opportunity based scholarship funds. These bills would set up education savings. Money could be used to pay high school tuition.
- Pre-K through 3 no suspensions. There needs to be an outside entity approval of a suspension longer than 3 days. This is CPS's current policy. A bill sponsored by Senator Thomas and Senator Lehner is expected.
- HB 312 a bill to restrict the use of credit cards by the school district. A compliance officer must be involved if the credit card isn't controlled by the Treasurer.
- Resident Educator Program. House and Senate eliminated it. Governor vetoed it. The Chambers may override the veto.

- New rules for substitute teachers which will allow them to teach up to 60 days rather than just 5 days on and then 5 days off.

Big Issues - CPS

- The number of audits that the district must undertake.
- Unreasonable timeframe for ODE accounting reviews and claw back of funds.
- Licensing of para-professionals; para-professionals can teach for up to 60 days while they wait for their license application. There is a need for continuity amongst all licensure procedures.
- Pre-School Promise & Poverty Task Force
- Reform school funding. Currently with the cap and the minimum there really isn't a "formula."
- Transportation costs as a result of Charter School start times.
- Other Projects
 - Ohio Capital Budget
 - Meeting with Legislators/ODE in Columbus
 - Meeting/Tour with SW Ohio Legislators
- Note from Ohio Department of Education regarding transportation cost:
 - "This has been brought up many times by school districts in legislative committees. It is not something that the Department could change unilaterally. [ORC 3314.092](#) requires community schools to consult with transporting districts before changing their schedule. That's a relatively new section that I believe was meant to address some of these concerns. The department encourages local districts and community schools to work together on these issues, per the code referenced above."

Ms. Bates advised to get the average cost of transporting CPS students in comparison to transporting charter school students.

Ms. Bolton requested information on all services that CPS provides for charter, non-public, parochial, regular and special education students. Ms. Marks reported that this information is located on [ohiocheckbook.com](#).

Ms. Bates advised our lobbyists to have discussions with legislators about funding needed to assist the District in providing bus service to accommodate later high school start times.

Ms. Bates asked if funding for additional fleet services can be funneled through Metro in order to support their transportation of CPS students.

GONGWER

Ms. Cahall provided the Committee with a copy of the following GONGWER report.



PLEASE NOTE: THE LEGISLATURE WAS OUT OF SESSION FOR MOST OF JULY/AUGUST.

There has been very little legislative activity.

HB 37 SCHOOL FACILITIES (Arndt, S.)

To require the Ohio School Facilities Commission to establish a program assisting school districts in purchasing technology and making physical alterations to improve technology infrastructure and school safety and security.

Committee Hearing in House [Education & Career Readiness](#) (5/23/2017; CONTINUED-SUBSTITUTE (No testimony))

HB 58 CURSIVE HANDWRITING ([Brenner, A.](#), [Slaby, M.](#))

To require instruction in cursive handwriting.

Committee Hearing in House [Higher Education & Workforce Development](#) (6/21/2017; REPORTED (No testimony))

HB 87 COMMUNITY SCHOOLS ([Roegner, K.](#))

Regarding public moneys returned to the state as a result of a finding for recovery issued pursuant to an audit of a community school.

Committee Hearing in House [Government Accountability & Oversight](#) (5/17/2017; CONTINUED)

HB 98 CAREER INFORMATION ([Duffey, M.](#), [Boggs, K.](#))

Regarding the presentation of career information to students.

Committee Hearing in House [Education & Career Readiness](#) (9/12/2017; CONTINUED)

HB 102 SCHOOL FUNDING ([Brenner, A.](#))

To replace locally levied school district property taxes with a statewide property tax and require recipients of certain tax exemptions to reimburse the state for such levy revenue lost due to those exemptions; to increase the state sales and use tax rates and allocate additional revenue to state education purposes; to repeal school district income taxes; to require the Treasurer of State to issue general obligation bonds to refund certain school district debt obligations; to create a new system of funding schools where the state pays a specified amount per student that each student may use to attend the public or chartered nonpublic school of the student's choice, without the requirement of a local contribution; to eliminate the School Facilities Commission; to eliminate the Educational Choice Scholarship Pilot Program, Pilot Project Scholarship Program, Autism Scholarship Program, and Jon Peterson Special Needs Scholarship Program; to eliminate interdistrict open enrollment; to require educational service centers to transport students on a countywide basis; and to permit school districts to enter into a memoranda of understanding for one district to manage another.

Committee Hearing in House [Finance](#) (6/20/2017; CONTINUED (See separate story))

HB 108 FINANCIAL LITERACY ([Hagan, C.](#), [McColley, R.](#))

To require one-half unit of financial literacy in the high school curriculum, to require the Chancellor of Higher Education to prepare an informed student document for each institution of higher education, to require the State Board of Education to include information on the informed student document in the standards and model curricula it creates for financial literacy and entrepreneurship, and to entitle the act the "Informed Student Document Act."

Committee Hearing in House [Education & Career Readiness](#) (9/12/2017; CONTINUED)

HB 110 APPRENTICESHIP PROGRAMS ([Hagan, C.](#), [Dean, B.](#))

To create a subprogram of the College Credit Plus Program that permits students to participate in certified apprenticeship programs.

Committee Hearing in House [Higher Education & Workforce Development](#) (5/3/2017; CONTINUED)

HB 170 COMPUTER SCIENCE ([Carfagna, R.](#), [Duffey, M.](#))

With regard to academic content standards and curriculum requirements for computer science; to revise educator qualifications regarding computer science; and to authorize public schools to establish computer science and technology funds.

Committee Hearing in Senate [Education](#) (9/20/2017)

HB 176 SCHOOL TESTING ([Thompson, A.](#))

With regard to state achievement assessments, statewide academic content standards and model curricula, and teacher and administrator evaluations.

Committee Hearing in House [Education & Career Readiness](#) (5/31/2017; CONTINUED (See separate story))

HB 181 SCHOOL ASSESSMENTS ([Hood, R.](#), [Brinkman, T.](#))

With regard to the state academic content standards and primary and secondary education assessments.
Committee Hearing in House [Education & Career Readiness](#) (6/20/2017; CONTINUED-AMENDED (No testimony))

HB 200 SCHOOL CHOICE ([Koehler, K.](#))

To eliminate the Educational Choice Scholarship Pilot Program and Pilot Project Scholarship Program and to create the Opportunity Scholarship Program.

Committee Hearing in House [Education & Career Readiness](#) (6/20/2017; CONTINUED-SUBSTITUTE)

HB 312 POLITICAL SUBDIVISION SPENDING ([Schuring, K.](#), [Greenspan, D.](#))

Regarding use of credit cards and debit cards by political subdivisions.

Committee Hearing in House [Government Accountability & Oversight](#) (9/20/2017)

HB 318 SCHOOL RESOURCE OFFICERS ([Patterson, J.](#), [LaTourette, S.](#))

To define the necessary qualifications and responsibilities of school resource officers.

Referred in House (9/12/2017; [Education & Career Readiness](#))

SB 3 WORKFORCE DEVELOPMENT ([Beagle, B.](#), [Balderson, T.](#))

To revise the laws governing the state's workforce development system, programs that may be offered by primary and secondary schools, certificates of qualification for employment, and the Opportunities for Ohioans with Disabilities Agency, and to designate the first week of May as In-Demand Jobs Week.

Committee Hearing in House [Higher Education & Workforce Development](#) (9/13/2017; CONTINUED-SUBSTITUTE (No testimony))

SB 8 SCHOOL TECHNOLOGY & SAFETY ([Gardner, R.](#), [Terhar, L.](#))

To require the Ohio School Facilities Commission to establish a program assisting school districts in purchasing technology and making physical alterations to improve technology infrastructure and school safety and security.

Passed in House (7/6/2017; 97-0 (Amended))

SB 54 SUMMER FOOD PROGRAMS ([Brown, E.](#), [Lehner, P.](#))

To require school districts to allow approved summer food service program sponsors to use school facilities to provide food service for summer intervention services under certain conditions.

Committee Hearing in Senate [Government Oversight & Reform](#) (6/6/2017; CONTINUED (No testimony))

SB 82 SCHOOL ABSENCES ([Williams, S.](#), [Lehner, P.](#))

To require a public school to place a telephone call within one hour of the start of the school day to a parent whose child is absent without legitimate excuse.

Committee Hearing in Senate [Education](#) (4/25/2017; CONTINUED (No testimony))

SB 85 SCHOOL CHOICE ([Huffman, M.](#))

To eliminate the Educational Choice Scholarship Pilot Program and Pilot Project Scholarship Program and to create the Opportunity Scholarship Program.

Committee Hearing in Senate [Education](#) (4/25/2017; CONTINUED)

SB 133 STUDENT BEHAVIOR ([LaRose, F.](#))

To require the Education Management Information System to include information regarding persons at whom a student's violent behavior that resulted in discipline was directed and to require the Department of Education to submit a one-time report to the General Assembly regarding that information.

Referred in Senate (4/26/2017; [Education](#))

Cincinnati Preschool Promise (CPP) Updates

Ms. Stephanie Byrd, Interim Executive Director, Cincinnati Preschool Promise, was not available to attend the meeting and provided the below written report to the Finance Committee.

Date of report: 9/26/2017

Regarding: Cincinnati Preschool Promise Update on Finance and Audit Committee Activities

- 1) Selection of Auditor-
 - a. The Cincinnati Preschool Promise, LLC (CPP) Finance and Audit Committee (F&AC), having been granted the power to select an accounting and audit firm for CPP by the Board of Managers of CPP, approved the recommendation made by the Finance Manager that Clark Schaefer Hackett (CSH) be selected. CSH was one of seven firms that replied to the Request For Proposal issued by CPP for audit and Publication 990 preparation services. CSH started work on Monday, September 25, 2017. The urgency of starting on September 25 was driven by the School Board's audit deadline of October 31, 2017.
- 2) Two policies were reviewed by the F&AC-
 - a. The F&AC approved the "Policy Regarding Unspent Funds at Fiscal Year End ("Carryover Funds")." Under this policy CPP may carryover funds from its approved budget that went unspent and un-accrued for in the budgeted year to the next fiscal year. If the funds are to be spent on CPP programs (currently Tuition Assistance and Quality Improvement) it would need no further approvals. For the funds to be spent on items not related to programs (such as Managerial & Administrative expenses) it would need to submit a proposal to the F&AC.
 - b. The F&AC requested changes to the proposed "Policy Regarding Variances from Budget." The policy provided guidance to the CPP staff of how it should prioritize spending or cuts when there were variances from the approved budget within the current Fiscal Year. Because variances that created "strategic risk or opportunity" would be treated differently, mainly requiring disclosure to the F&AC, further definition of what constitutes a "strategic risk or opportunity" was requested.

ACTION: Committee member Bolton inquired about further explanation about the above item number two to ensure that it is within the District's policies and for Treasury to undergo that review and report back to the Finance Committee. The concern is to also make sure that United Way's policies and processes are in line with the District's.

ACTION: Committee Chair Bates advised to use the Council on Aging as a benchmark into how they account for public levy funds that are being allocated to an agency. The Committee will discuss that at the November 21, 2017 Finance Committee meeting.

- 3) Additional 0.5 FTE for Special Education Assessments-
 - a. There was discussion regarding housing the 0.5 FTE that would provide assistance to community providers in completing the paperwork to request special education assessments inside CPP instead of the current view that it reside inside CPS. The main discussion points were a desire to build capability inside CPP with what seemed to be a clerical task well within the CPP capabilities and experience. This was weighed against the risk of clerical errors leading to delays in scheduling of the assessments. Further discussion will take place at future meetings.
- 4) Monthly Financial Statements-
 - a. The F&AC discussed the need for monthly financial statements and the desire to have forecasted values, not just actuals and budgeted. It further discussed the timing for preparing monthly financial statements and the wide variations shown between the annual budgeted amount and the

few months of actual results. It discussed potentially updating monthly forecasts. New financial statements will be developed and discussed at future meetings so that adjustments to their usability can be made.

Treasurer Financial Updates

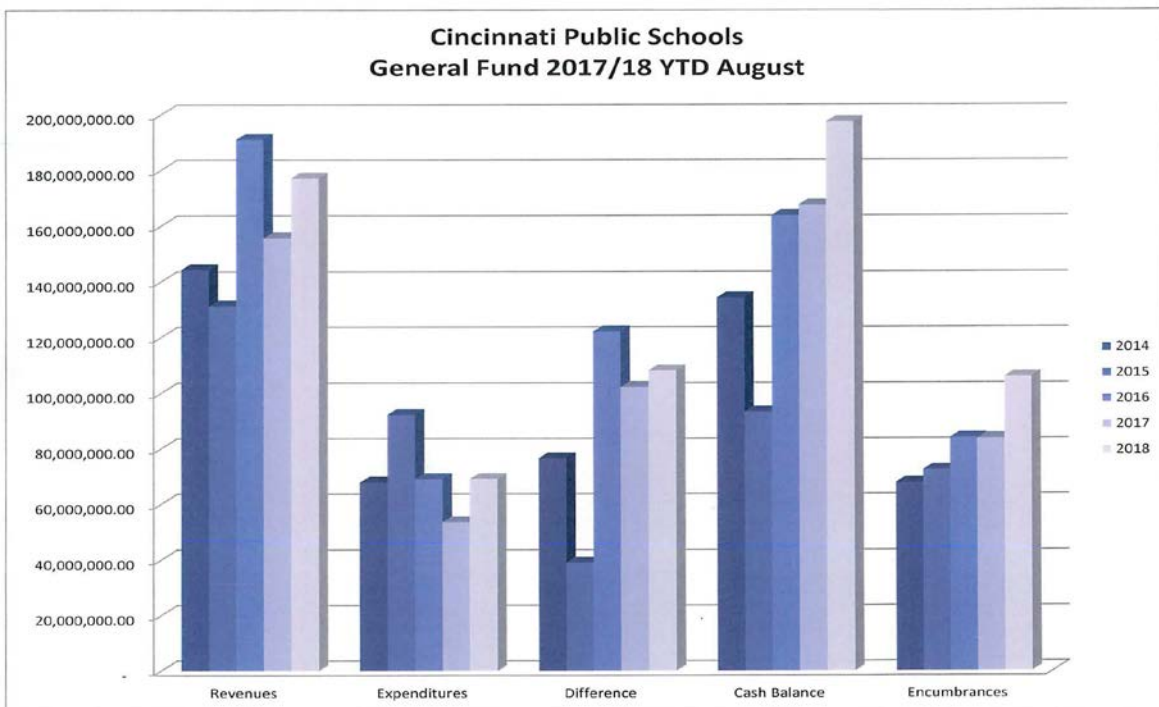
Monthly and Year-to-Date Revenue and Expenditures

Assistant Treasurer Amy Twarek provided the Committee with the following information for General Fund monthly statements through August 2017.

- Revenues – \$21.5M higher than the previous year, due to new levy collections.
- Expenditures – \$15.6M higher than the previous year, due to preschool expansion and growth in related expenses.

Schoolwide Pool (Fund 598):

- Revenues – \$23.6M of anticipated \$197.9M (11.9%)
- Expenditures – \$23.2M of anticipated \$199.3M (11.6%)



State & Federal Grants Summary:

	State	Federal	Combined
Beg. Cash	160,203.97	9,033,883.07	9,194,087.04
Receipts YTD	3,934,018.03	10,148,837.52	14,082,855.55
Expenditures YTD	2,278,368.96	6,134,976.88	8,413,345.84
Encumbrances	1,065,370.08	4,847,945.25	5,913,312.33
Unencumbered Cash	750,482.96	8,199,801.46	8,950,284.42
Estimated Receipts	\$ 13,671,919.17	\$40,419,300.73	\$ 54,091,219.90
% Received of total	28.8%	25.1%	26.0%

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 October 9, 2017 Regular Board meeting.

Payment in lieu of Tax Agreements for 9/26/17:

Agreement	Years of Agreement	Estimated Annual Revenue	Estimated Total Agreement Revenue
(A.) <u>1526 Blair, LLC.</u>	12-year	\$3,756.44	\$45,077.32
<i>Description:</i> improvements made to real property located at 1526 and 1528 Blair Avenue in the Evanston neighborhood in connection with the remodeling of the existing building thereon into residential space, including the 10 residential rental units.			
(B.) <u>Daffin Investments, Ohio, LLC.</u>	8-year	\$5,217.28	\$41,738.26
<i>Description:</i> improvements made to real property located at 28-32 W. Court Street in the Central Business District in connection with the remodeling of the building on the property into residential and commercial space			
(C.) <u>205 WM, LLC</u>	8-years	\$3,809,.63	\$30,477.08
<i>Description:</i> improvements made to real property located at 205 W McMicken Avenue in the Over-the Rhine neighborhood of Cincinnati, in connection with the remodeling of a building into six residential apartment.			
(D.) <u>1228 McMillan, LLC</u>	12-years	\$25,042.93	\$300,515.49
<i>Description:</i> improvements made to real property located at 1228 McMillan Street in the Walnut Hills neighborhood in connection with the remodeling of the W.J. Williams YMCA building into residential and commercial space.			

CRA Analysis Update

Ms. Twarek informed the Committee that a three-way match between the county, the state and CPS has taken place. Treasurer Wagner will follow-up on items that have been identified. She will also be providing the Committee with an analysis of identified items and a plan of how they will be addressed.

ACTION: The Committee agreed to receive Mrs. Wagner's report in writing and have further discussion if necessary and then recommend the plan to the Board for approval.

Vandercar Proposal Analysis

Mr. Hoying updated and reiterated with the Committee Vandercar's proposal to redevelop the Anthem building, located at the corner of Woodburn and Taft in East Walnut Hills, into approximately 450 new residential units.

The Development Team is asking the District to allow all Tax Increment Financing (TIF) Service Payments that are payable to the District for the first 12 years following completion of the construction of the first phase of development, be abated (relief) back to the development.

Mr. Hoying provided a financial analysis and reported that Vandercar is asking for lower payments than what they would normally pay, and asking to make those payments up during years 13 to 30. The Committee had extensive dialogue about the request and about two payment options for the years requested.

Please find attached Mr. Hoying's financial analysis and the two draft options located at the end of this report.

ACTION: Committee member Bolton expressed concern about not being a part of the conversations with the City on the development. She recommended that the District and the City be partners in determining this development and other economic developments that affect CPS families.

ACTION: The Committee recommended that the full Board have the analysis discussion and the Administration update the Board on their position on Vandercar's proposal at the October 18, 2017 Regular Board meeting.

Supplier Diversity Update

Trina Levins, Director of Purchasing, was called to Jury Duty and will provide an update at the November 21, 2017 Finance Committee meeting.

Update from the Reconciliation Specialist

Barb Mattei-Smith, Director of Performance and Accountability, updated the Committee on behalf of Sue Hemphill, the Reconciliation Specialist.

Ms. Mattei-Smith provided the Committee with a list of charter schools and advised the group that the list was not usual, due to it being the beginning of the school year and the need to locate the students that charter schools are reporting, and then include them into Powerschool, as appropriate.

ACTION: Ms. Bolton advised Ms. Mattei-Smith to provide her next report to the District's Audit Committee. Internal Auditor Lauren Roberts will work with Ms. Mattei-Smith, as this is a financial risk.

The role of the Reconciliation Specialist is to review process and procedures in order to come up with a more effective and streamlined approach to capturing the data and making it available for those who need to access the information.

Financial Policy Review

Ms. Twarek informed the Committee that Treasurer Wagner has assigned her Administration to review the policies.

Hamilton County Tax Incentive Review Council

Ms. Twarek will follow-up with Treasurer Wagner regarding information she may have available to report to the Committee.

Workplan for Audit Findings, Citations, Recommendations

Lauren Roberts, Internal Auditor, updated the Committee on the fiscal year 2016 Audit Recommendations.

Internal Auditor 2018 Goals

Ms. Roberts provided the Committee with a draft of her below 2018 goals. Committee Chair Bates advised Ms. Roberts to include attending professional organizations in relation to her work.

Goal	Description
Internal Audit Planning	<ul style="list-style-type: none">• Develop an annual Internal Audit Plan (IAP).• Present the IAP and obtain approval from the Audit Committee.
Internal Audit Execution & Reporting	<ul style="list-style-type: none">• Complete 40-50% of the Annual Internal Audit Plan (3-4 engagements).<ul style="list-style-type: none">○ Number of engagements to be completed is dependent upon the scope of each audit area.• Communicate internal audit progress, via Internal Audit Status Reports, to the Audit Committee on a bimonthly basis.• Assist the Board Office with Audit Committee administrative actions as necessary to ensure ongoing function of Audit Committee.
Professional Development	<ul style="list-style-type: none">• Certified Public Accountant (CPA):<ul style="list-style-type: none">○ As required by the Accountancy Board of Ohio, 120 continuing professional education (CPE) credits must be earned by December 31, 2018 to maintain the Certified Public Accountant<ul style="list-style-type: none">▪ A minimum of 20 credits are required per year.▪ A minimum of 24 credits (of the 120) must be related to accounting or auditing.• Internal Audit:<ul style="list-style-type: none">○ Attend 1-2 professional development trainings that focus on internal auditing.<ul style="list-style-type: none">▪ Internal audit training could include, but is not limited to, a webinar, The Institute of Internal Auditors (IIA) event, course, shadowing experience, etc.

Audit Committee Charter Revision

Ms. Roberts will provide the Committee with feedback that the Audit Committee discussed at their August meeting regarding revisions to the Charter.

ACTION: The Finance Committee will review the draft and discuss a process on how new Audit Committee members should be appointed to the group. The Finance Committee will share the draft with the full Board.

Other Business

ACTION: Ms. Bolton informed the group that state law requires districts to have a Business Advisory Committee. She advised the Administration to follow-up on the law and update the Committee at the October 17, 2017 meeting.

The meeting adjourned at 1:25 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

Market Value

3,200,000 4,000,000.00
34,000,000.00
7.00%

CPS revenue years 1-12	4,104,600.00	CPS revenues years 1-12	1,989,600.00
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Option B – Phase 1
As Proposed
Phase 1 - 300 Units

<u>Year</u>	<u>Mkt Value</u>	<u>Annual SD Tax Receipts</u>	<u>Additional SD Compensation</u>	<u>Total SD Receipts</u>
1	4,000,000	90,800	75,000	165,800
2	4,000,000	90,800	75,000	165,800
3	4,000,000	90,800	75,000	165,800
4	4,000,000	90,800	75,000	165,800
5	4,000,000	90,800	75,000	165,800
6	4,000,000	90,800	75,000	165,800
7	4,000,000	90,800	75,000	165,800
8	4,000,000	90,800	75,000	165,800
9	4,000,000	90,800	75,000	165,800
10	4,000,000	90,800	75,000	165,800
11	4,000,000	90,800	75,000	165,800
12	4,000,000	90,800	75,000	165,800
13	34,000,000	342,050	117,500	459,550
14	34,000,000	342,050	117,500	459,550
15	34,000,000	342,050	117,500	459,550
16	34,000,000	342,050	117,500	459,550
17	34,000,000	342,050	117,500	459,550
18	34,000,000	342,050	117,500	459,550
19	34,000,000	342,050	117,500	459,550
20	34,000,000	342,050	117,500	459,550
21	34,000,000	342,050	117,500	459,550
22	34,000,000	342,050	117,500	459,550
23	34,000,000	342,050	117,500	459,550
24	34,000,000	342,050	117,500	459,550
25	34,000,000	342,050	117,500	459,550
26	34,000,000	342,050	117,500	459,550
27	34,000,000	342,050	117,500	459,550
28	34,000,000	342,050	117,500	459,550
29	34,000,000	342,050	117,500	459,550
30	34,000,000	342,050	117,500	459,550
TOTALS		7,246,500	3,015,000	10,261,500

**Option B – Phase 1
75/25 TIF Split - for
Comparison
Phase 1 - 300 Units**

**Traditional
"Make-Whole"**

<u>Year</u>	<u>Mkt Value</u>	<u>Annual SD Tax Receipts</u>	<u>Additional SD Compensation</u>	<u>Total SD Receipts</u>
1	34,000,000	342,050	-	342,050
2	34,000,000	342,050	-	342,050
3	34,000,000	342,050	-	342,050
4	34,000,000	342,050	-	342,050
5	34,000,000	342,050	-	342,050
6	34,000,000	342,050	-	342,050
7	34,000,000	342,050	-	342,050
8	34,000,000	342,050	-	342,050
9	34,000,000	342,050	-	342,050
10	34,000,000	342,050	-	342,050
11	34,000,000	342,050	-	342,050
12	34,000,000	342,050	-	342,050
13	34,000,000	342,050	-	342,050
14	34,000,000	342,050	-	342,050
15	34,000,000	342,050	-	342,050
16	34,000,000	342,050	-	342,050
17	34,000,000	342,050	-	342,050
18	34,000,000	342,050	-	342,050
19	34,000,000	342,050	-	342,050
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22	34,000,000	342,050	-	342,050
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24	34,000,000	342,050	-	342,050
25	34,000,000	342,050	-	342,050
26	34,000,000	342,050	-	342,050
27	34,000,000	342,050	-	342,050
28	34,000,000	342,050	-	342,050
29	34,000,000	342,050	-	342,050
30	34,000,000	342,050	-	342,050
TOTALS		10,261,500		10,261,500