

## REPORT OF THE FINANCE COMMITTEE

The Finance Committee met on Tuesday, June 20, 2017 at 11:30 AM at the Cincinnati Public Schools Education Center in the Board Conference Room.

### ATTENDEES

#### Finance Committee Members Present

Eve Bolton, Carolyn Jones

#### Administrators Present

Mary A. Ronan, Superintendent; Jennifer Wagner, Treasurer/CFO; Trina Levins, Director of Purchasing; Brittany Marks, Director of Financial Reporting and Transparency; Bill Moerhing, Interim Chief Operations Officer; Lauren Roberts, Internal Auditor

#### Kearney and Kearney

Eric Kearney, CEO, President

#### Focused Capital Solutions, LLC

Nan Cahall, Managing Director

#### Success by Six

Stephanie Byrd, Executive Director

#### Parents/Community

David Brenner

Craig Rozen, Representing Anthem Project, CASE

Marcia Futel, Parents for Public Schools

### 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 2017.

- Revenues through May are \$26.1M higher than last year due to new levy collections
  - \$546.8M of \$512.5 Anticipated (106.7%)
  - 3-year average of May YTD Revenues is 94.5%
- Expenditures are higher year to date in comparison:
  - \$482.3M of \$565M anticipated (85.4%)
  - 3-year average of May YTD Expenditures is 85.7.6%

#### Schoolwide Pool (Fund 598):

- Revenues – \$166.4M of anticipated \$197.2 (84.4%)
- Expenditures – \$167.5M of anticipated \$189.7M (88.3%)

Please find attached to this Finance Committee meeting report the May 2017 General Fund Year-to-Date graph.

State and Federal Grants Summary

	State	Federal	Combined
Beg. Cash	\$3,185,188.40	\$12,276,039.20	\$15,461,227.60
Receipts YTD	13,073,235.65	45,768,040.97	58,841,276.62
Expenditures YTD	14,653,450.87	54,333,833.88	68,987,284.75
Encumbrances	1,668,914.67	5,019,371.92	6,668,286.59
Unencumbered Cash	(\$63,941.49)	(\$1,309,125.63)	(\$1,373,067.12)
Estimated Receipts	\$15,456,909.89	\$ 77,064,476.40	\$ 92,521,386.29
% Received of total	84.6%	59.4%	63.6%

*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 June 26, 2017 Regular Board meeting.

Agreement	Years of Agreement	Estimated Annual Revenue	Estimated Total Agreement Revenue
(A.) <u>1925 Vine LLC</u>	12-year	\$12,521.48	\$150,257.75
<i>Description:</i> improvements made to real property located at 1925 Vine Street in the Over-the Rhine neighborhood of Cincinnati in connection with the remodeling of a building into approximately 20 residential apartments			
(B.) <u>BAM Realty Group LLC</u>	12-year	\$10,017.18	\$120,206.20
<i>Description:</i> the improvements made to real property located at 1207 Elm Street in the Over-the Rhine neighborhood of Cincinnati to remodel the building on the property into four residential apartments.			
(C.) <u>Cincinnati Development LLC.</u>	12-years	\$217,038.97	\$2,604,467.61
<i>Description:</i> improvements made to real property located at 580 Walnut Street in Cincinnati in connection with the renovation of the existing structure into a mixed-use development primarily composed of 176 apartments and approximately 181,376 square feet of commercial space			
(D.) <u>On the Rhine LLC</u>	12-years	\$4,115.39	\$49,384.71
<i>Description:</i> improvements made to real property located at 3036 Woodburn Avenue in the Evanston neighborhood of Cincinnati			

**Treasurer New Year Goals**

Treasurer Wagner shared the following updated draft of her goals for FY18:

- Implement new payroll software and employee self-service module to allow better communication to our employees.
- Redesign job/position management process in an effort to improve the timeliness and accuracy of changes to budgeted positions (adds, changes or removals) necessitated by student enrollment fluctuations during the school year.
- Implement new budget development process in collaboration with the new Superintendent Mitchell and Board of Education and method to provide a more user friendly and efficient way to create the budget and shorten the timeline.
- Enhance district’s financial dashboard to increase financial transparency to our public, including new finance equity measures.
- Implement a financial reporting process to monitor progress for the Preschool Expansion.

Member Bolton asked that the goals be written in a manner that taxpayers and no financial types could understand. In response to Ms. Bates request and in view that the Treasurer's Goals need to be approved by the Board, the revised Goals are attached as an addendum to these Minutes.

ACTION: Approving these Minutes will approve the Treasurer's new goals.

**Annual Appropriations**

Treasurer Wagner will provide an update on the Appropriations at the June 26, 2017 Regular Board meeting.

**Budget Development**

Treasurer Wagner will update the Board about the budget at the June 26, 2017 Regular Board meeting and recommend approval at that time.

**Disparity and Minority Review**

Ms. Levins reported that Executive Service Corps of Cincinnati (ESCC) will be updating the contract list from previous projects and determine which are local, nonprofit, minority and women vendors.

ACTION: Ms. Levins will provide an update on ESCC’s results at the September 19, 2017 Finance Committee meeting. The report will be inclusive to all CPS vendors and include variables for ethnic, local minority, nonprofit and women vendors.

Ms. Levins updated the Committee on the below current Minority Spend for fiscal year 2016-2017:

<b>Spend Pool</b>	<b>Minority Amount</b>	<b>Total Amount</b>
Food Services	\$ 7,984.56	\$ 8,311,397.42
Oper, Maint, Suppl & Svcs	\$ 512,410.57	\$ 32,591,138.57
Professional & Technical Services	\$ 2,326,275.53	\$ 45,821,689.38

Computer & Technical Equipment	\$ 861,796.07	\$ 4,717,211.24
Instructional Software	\$ 572,789.03	\$ 1,952,569.67
Books	\$ 71,634.63	\$ 6,308,718.11
General Supplies	\$ 1,019,840.78	\$ 7,086,722.64
Transportation	\$ 3,569,761.36	\$ 41,255,854.66
<b>Total</b>	<b>\$ 8,942,492.53</b>	<b>\$ 148,045,301.69</b>

Ms. Levins informed the Committee that she will be taking the following next steps:

Promoting Small Business (RFP)

- Working with Ohio MBE, Greater Cincinnati and Northern KY African American Chamber-Commerce, Hispanic Chamber Cincinnati to develop alliances with those chambers to solicit CPS Bids through their newsletter, websites, publications, etc...

Working with CPS internal customers on expanding solicitation on MBE, Local and Small Business

- The RFP Evaluation Proposal Section to give points if the vendor has minority designation or minority participation.
- Encouraging vendors to work with other vendor to build alliances
- Creating a Small Business, Local, and MBE Directory

Committee members reminded the Administration that these issues regarding local, minority, female spend pools, target percentages and points assigned, are a matter of Board Policy.

**Lobbyist Projects Update**

Ms. Cahall reported that the commission is sun-setting the Joint Education Oversight Committee on October 1, 2017. That was to be a valuable committee for Ms. Cahall and Mr. Kearney to discuss transportation issues, and the District's big picture items that impact CPS policies. She also advised that all of the commissions are being sun-setted as a result of tight budgets.

Ms. Cahall informed the Committee that it has not been determined if there will be a capital budget for year 2018. She reported that if the District partners with outside entities that would be a good way for both entities to request capital dollars.

**Certificate of Estimated Property Tax Millage Rate**

Treasurer Wagner provided the Committee with a copy of Hamilton County Auditor, Dusty Rhodes *Certificate of Estimated Property Tax Millage Rate*.

Due to the valuation of increases in sales, homeowner taxes will go down, even though there will be a fixed sum levy. A copy of the document is attached to this report.

Ms. Cahall highlighted the following legislative items that are attached to this Finance Committee meeting report.

**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)

**HB 80** SUMMER FOOD PROGRAM ([LaTourette, S.](#), [Smith, K.](#))

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. Referred in Senate (4/5/2017; [Government Oversight & Reform](#))

**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)

**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)

**HB 235** EDUCATION PLAN ([Gavarone, T.](#))

Regarding procedures for approval or disapproval of the state education plan for the federal Every Student Succeeds Act.

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

**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.

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

Nan Cahall, Managing Director, Focus Capital Solutions, LLC, and Eric Kearney of Kearney and Kearney presented and discussed the following projects with the Committee.

**House Bill 49**

The Ohio Senate is due to release its final version of the budget Tuesday, June 20. It will be swiftly voted on by the Ohio Senate Wednesday, June 22. A House-Senate Conference

Committee will work to reconcile the differences between the two budgets. The negotiations have been ongoing so it is expected the Conference Committee will come to a relatively quick compromise. Once both House & Senate approve, the budget will be sent to Governor Kasich. It is estimated to be sent to the Governor by June 28.

#### Issues of Interest to CPS in the 1<sup>st</sup> Senate Version:

- Restores current law on textbook costs within College Credit Plus
- Allow the chancellor to approve a CCP payment rate below the default floor, rather than require the chancellor to approve that rate.
- Modifies requirements that higher education institutions pay the cost of college readiness assessments for CCP students.
- Maintains the House reduction in transportation and capacity aid.
- Eliminates Straight A Fund
- State Foundation Aid Estimates:  
<file:///C:/Users/ncahall/Downloads/HB49SenateSchoolFundingFoundationFormulaPrintout.pdf>
- Defunds the Joint Education Oversight Committee (JEOC)

#### **Overview**

##### Proposed Foundation Funding

- Statewide takeaways
  - The Senate's budget proposal virtually flat-funds K-12 education statewide over the coming biennium
  - Education funding statewide would not keep pace with inflation
  - Accounting for inflation, K-12 funding still has not returned to pre-recession levels
- Factors influencing current funding capacity
  - The state faces a funding shortfall that could reach \$1 billion
  - Diversion of funds to combat the ongoing opioid crisis
- Trends around the state
  - Targeted investments from state funding are very limited under this proposal
    - With few exceptions, funding for individual school districts is static
    - Grant programs (Straight A Fund, Finish Your Future, college ready transition programs) eliminated
  - Though schools are flat-funded, the focus of budget structure is on stability of district funding
    - Districts earning performance bonuses and making career technical investments are protected from a swift elimination of those funding sources from budget to budget
    - No sweeping changes in the funding formula from the prior two budget cycles
    - Districts are protected from heavy population losses and private sector divestment in areas dependent on one source of local revenue (affects mostly small, rural districts)

##### Long Term Implications of this budget on Ohio K-12 Education

- Ohio now raises more revenue from its sales tax than income tax (recent shift)
  - If consumption decreases for any reason (recession, interest rate increases), what does this mean for state funding capacity?
  - If the opioid crisis deepens as expected, how will education funding be affected?

### Other Education Issues

- Scope and intent of incentives for private, parochial school attendance
- Charter/E-School Sponsor language
- Coordination of K-12 programming with higher education and job training
- Potential for new education programming
- Eliminates the Joint Education Oversight Committee as of October 1
- Incorporates SB 36 as passed by the Senate dealing with CAUV formula changes

### Ohio Every Student Succeeds Act (ESSA) Plan

- Throughout May and into June, the Ohio Department of Education (ODE) has been releasing pieces of the Ohio ESSA Plan. The majority of the plan has been released with some significant changes to the previous plan.
- ODE is seeking input and comments on the plan. The timeline for comments is very short because ODE has scheduled a presentation to the State Board of Education July 10/11.
- A working group within CPS has been reviewing the plan and a set of comprehensive and concise comments will be created.
- Nan Cahall is participating in the CPS Ohio ESSA review working group.
- Legislation requiring legislature review prior to submission has been introduced. Please see HB 235 below.
- Still Pending
  - **Dates to invite SW Ohio Legislators to visit CPS – Can we get a few dates?**  
Bill Blessing – member Finance Subcommittee on Primary & Secondary Education, Bill Seitz, Tom Brinkman, Alicia Reece, Brigid Kelly, Catherine Ingram, Cecil Thomas, Louis Terhar, Steve Wilson.
  - Federal Tax Reform
    - Identify concerns related to tax proposals– think we need a little more background on what the proposals are and how they affect CPS.
    - Invite Reps/Sen to visit this summer and discuss tax reform
    - In the least send a letter

**ACTION:** The Finance Committee will schedule a breakfast to invite Southwest Ohio Legislators to meet with the Board and the Administration to provide the Legislators with an update on CPS, learn about new programs that have yielded strong outcomes, and visit with students at the schools. With an emphasis on workforce development and other innovative programs, Superintendent Ronan suggested hosting it at SCPA and other downtown schools sending representatives. The meeting will be scheduled on a Monday or Friday morning to accommodate legislator’s schedules.

### Cincinnati Preschool Promise (CPP) Update

Ms. Byrd reiterated with the Committee about discussions that took place with CPS and CPP representatives on June 20, 2017 meeting.

A small group of representatives met to discuss how best to allocate the preschool budget in order to fulfill the promises we made to the public, specifically around tuition assistance, and stay within the master agreement that all parties agreed to.

Please find attached to these minutes a copy of a memo that Treasurer Wagner provided to the Board about the discussions.

**Level of Personnel Updates**

The Committee will discuss Level of Personnel at the July 18, 2017 Finance Committee meeting.

**Other Business**

**Anthem Site**

The Finance Committee participated in a conference call with Robert Smyjunas of Vandercar to discuss Vandercar's revised proposal.

The meeting adjourned at 12:34 PM

**Finance Committee**

Melanie Bates, Chair, absent  
Eve Bolton  
Carolyn Jones

**Staff Liaisons**

Mary A. Ronan, Superintendent  
Jennifer Wagner, CFO/Treasurer  
Bill Moehring, Interim Chief Operating Officer