

REVISED**REPORT OF THE FINANCE COMMITTEE**

The Finance Committee met on Thursday, March 30, 2017 at 12:00 PM at the Cincinnati Public Schools Education Center in the Board Conference Room.

ATTENDEES**Finance Committee Members Present:**

Chairperson Melanie Bates, Eve Bolton, Carolyn Jones

Administrators Present:

John Davis, Director of Transportation; Daniel Hoying, General Counsel; Brittany Marks, Director of Financial Reporting and Transparency; Bill Moerhing, Interim Chief Operations Officer; Lauren Roberts, Internal Auditor; Rebecca Vogler, Director, Grants Administration; Jennifer Wagner, Treasurer/CFO

Cincinnati Preschool Promise

Greg Landsman

Parent

Craig Rozen

The Carol Ann and Ralph V. Haile, Jr./U.S. Bank Foundation

Leslie Maloney, Senior Vice President and Program Manager – Education

Success by Six

Stephanie Byrd, Executive Director

United Way of Greater Cincinnati

Jill Johnson, Vice President – Finance and Operations

Dawn Reynolds

Cincinnati Preschool Promise Finances

Treasurer Wagner informed the Committee that the Cincinnati Preschool Promise is to provide “Quality” preschool education to all three and four year-old resident children of the Cincinnati Public School district.

She updated the group on a draft of how the funds for the Preschool Promise will flow. The funds will first flow from the Hamilton County Auditor, who collects the property taxes. The District then sets aside in a special cost center, 15/48 of every dollar based on the new \$48 million levy. The dollars then flow to United Way as the “Trusted Entity,” who will allocate dollars to the Cincinnati Preschool Promise, and then allocate those dollars to the community providers. The District’s portion of funding for preschool expansion will go directly to CPS preschools through the budgeting process.

The following funding categories will be set up as three purchase orders on an annual basis in order to receive payments in a timely and efficient manner.

- Tuition Assistance
- Quality Improvement Grants
- Administrative Fees

Member Bolton and Attendee Landsman suggested that the category Administrative Fees be renamed and perhaps further explained regarding how many different costs are included in that category. Mrs. Wagner reported that to date, through the end of February, \$22.7 million have been collected from the new levy and \$15.6 million of those dollars went into the operational fund and \$7 million was set aside for preschool expansion.

Treasurer Wagner informed the Committee about the FY2018 consolidated draft budget. The draft budget includes estimates of needed dollars for: Tuition Assistance, Quality Improvement Grants (not a traditional grant), Student Support, Administrative Fees (an explanation of the fees will be added to the draft budget), Data System, Evaluation, Communications and Engagement, and Workforce Development.

Additional information about the above information is contained in the Cincinnati Preschool Expansion and Cincinnati Preschool Promise report attached to the minutes.

Ms. Byrd updated the Committee on her estimated preschool expansion start-up budget and reported that money that is being set aside for teams for special education is being reviewed for proper definition. She advised that dollars in the budget may not be what is expended. She will be looking at how to establish what needs to be spent based on the volume of children. Mrs. Wagner advised that money will be set aside in case there is a need to increase the purchase order.

Ms. Byrd informed the group that estimated fees of \$250,000 are included in the budget to do a Request For Proposal for the Trusted Entity (United Way). The fee is needed for United Way to appoint the board, set up accounts, cover expenses that will be incurred on behalf of the PEO, such as accounting, human resources, information technology systems, legal costs, grant writers and other variables.

ACTION: Jill Johnson of United Way will provide the Board with a copy of the detailed expenses for the \$250,000 estimated fee.

Ms. Byrd reported that funding for an Interim Executive Director is included in the budget. She is acting Interim Director until the position is filled.

ACTION: Mrs. Wagner reported that the final Preschool Expansion Start-Up Budget from United Way is needed to begin the purchase order. She recommended that the budget be submitted to the Board for recommendation of approval at the April 10, 2017 Regular Board meeting.

Committee Chair Bates informed the group that the Board's Audit Committee will be reviewing the funding reports on an ongoing basis.

Please find attached a copy of the Estimated Preschool Expansion Budget – Start-Up (January-June 2017) report that contains additional information in reference to Ms. Byrd's update.

Lobbyist Updates

Nan Cahill, Managing Director, Focus Capital Solutions, LLC, was present and discussed the following projects with the Committee.

- Met with ODE external relations staff to discuss CPS state audit volume, Ohio ESSA Plan and Pre-school rating system/approval process.
- Arranged meetings in Washington DC for Ms. Melanie Bates. Meetings were scheduled with staff in Congressmen Chabot's and Wenstrup's offices, as well as Senators Brown and Portman.
 - It is suggested that follow-up meetings be scheduled with Representatives and Senators (more difficult) during congressional summer recess.
- Attended several committee meetings in Columbus related to education policy, budget.
- Provided Senator Peggy Lehner with CPS Policy 5610 Removal, Suspension, Expulsion and Permanent Exclusion of Students. Senator Lehner is working on legislation that would prohibit suspensions and expulsions for students in 3rd grade and under. CPS is the only school in the state with a policy similar to her initiative. Legislation to be introduced late summer/early fall.
- Substitute Certification – Spoke with Auditor Dave Yost regarding substitute Teacher Certifications. He has requested the AG hold off on findings on certain certifications. He is concerned about uniformity and insuring the findings are appropriate given the occupations. He suggested that CPS do two things: 1) identify process fully; and 2) make sure the process oversight is under the responsibility of the Treasurer as the Treasurer is the liable party. We should discuss further next steps.

ACTION: Treasurer Wagner reported that Human Resources is the responsible department for the certification process. **Brittany Marks, Director of Financial Reporting and Transparency**, will research Administrative Codes or Ohio Revised Codes to determine if there is a ruling that states that the Treasurer is the liable party.

- Met with Greater Cincinnati Chamber of Commerce staff. Senior Vice President & COO Brendon Cull, Vice President Government Affairs Jason Kershner, Vice President Talent Initiatives Jordan Vogel, Talent Attraction Higher Ed & Special Projects Leader Jules Shumate.

The Government Affairs Committee would like for the District to do a presentation to enhance relationships and exposure of the District at a higher level.

ACTION: The Finance Committee advised that the presentation should consist of the MyTomorrow initiative **with an emphasis on the work force and career modules** as well as the Cincinnati Preschool Promise Expansion **with an emphasis on financial processes**.

- Provided an update on the Superintendent search
- Business/Chamber related issues in HB 49
- Industry-recognized credentials and licenses for graduation
 - ⇒ Requires the Superintendent of Public Instruction, in collaboration with the Governor's Office of Workforce Transformation and representatives of business organizations, to establish by January 1, 2018, a committee to develop and update Legislative Service Commission -89- H.B. 49 As Introduced (Corrected Version) biannually a list of industry-recognized credentials and licenses for high school graduation and state report card purposes.
 - ⇒ Eliminates the responsibility for the State Board of Education to approve industry recognized credentials and licenses.
- OhioMeansJobs-Readiness Seal
 - ⇒ Requires the Superintendent of Public Instruction to establish the OhioMeansJobs Readiness Seal which must be attached or affixed to the diplomas and transcripts of students enrolled in a public or chartered nonpublic school that satisfy specified requirements.
- Regional workforce collaboration model

- ⇒ Requires the Governor's Office of Workforce Transformation, the Department of Education, and the Chancellor of Higher Education to develop a regional workforce collaboration model to provide career services to students by December 31, 2017.
- ⇒ Requires the Governor's Office of Workforce Transformation to oversee the creation of regional workforce collaboration partnerships. Pre-apprenticeship training programs
- ⇒ Requires the Departments of Education and Job and Family Services to establish an option for career-technical education students to participate in pre-apprenticeship training programs that impart the skills and knowledge needed for successful participation in a registered apprenticeship occupation course.
- Miscellaneous
 - ⇒ Repeals the requirement that each school district and educational service center appoint a business advisory council.
 - ⇒ Requires each school district superintendent to appoint three nonvoting members who represent local businesses to the board of education.

The Committee discussed how important these changes could be for CPS.

Upcoming

- Meeting with Audrey Treasure, new CBC & CRBC education policy staff. Date TBD
- Meeting with Kristi Phillips, Catholic Inner-Schools Education Fund (CISE). Date TBD

ACTION: Ms. Cahill recommended that the Board meet with CISE.

- Recommended meetings with local delegation – Timing?
 - 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

Need more information

CPS Position on Ohio ESSA Plan

- Develop a public campaign
 - CPS Op-Ed
 - Communication with legislators

Senate Bill 85

Ms. Cahill provided the Committee with a copy of Senate Bill 85 and recommended that the Board submit any concerns about the document. Please find below a summary of the Bill.

- Beginning with 2018-2019 school year, creates the Opportunity Scholarship Program to provide students with scholarships to attend chartered nonpublic schools, for which eligibility and scholarship amounts are based on family income.
- Eliminates the Educational Choice (Ed Choice) Scholarship Program and Pilot Project (Cleveland) Scholarship Program.
- Qualifies a student for the Opportunity Scholarship Program if (1) the student's family income is at or below 400 percent of the federal poverty guidelines, and (2) on and after July 1, 2017, the student was not enrolled in a chartered nonpublic school during any school year prior to the first school year for which a scholarship is sought.

- Qualifies a student for the Opportunity Scholarship Program and the full scholarship amount if, during the 2017-2018 school year, the student or the student's sibling received a scholarship under the Ed Choice Scholarship Program or Cleveland Scholarship Program.
- Establishes maximum scholarship amounts at \$5,000 for students in grades K-8, and at \$7,500 for students in grades 9-12, but reduces scholarships amounts for students who qualify based on family income and whose family income increases.
- Finances scholarships "directly through the foundation funding appropriation item of each biennial operating budget act."
- Establishes an education savings account for a student whose scholarship exceeds the tuition and fees charged by the student's chartered nonpublic school, and prescribes the uses for such funds and penalties for misuse of such funds.

ACTION: Ms. Bates advised the Administration to analyze the bill to make recommendations that will help the Board develop a position about the bill in order for Ms. Cahill to advocate for the Board's position. The Committee will make the assignment at the April 5, 2017 Regular meeting.

Ms. Cahill informed the group about committees she and Mr. Kearney met with in Columbus, Ohio. She will provide the Committee with a report about those visits.

She reported that the Joint Education Oversight Committee would like the District to do a presentation at a future date.

Ms. Cahill informed the group that she and Mr. Kearney would like to become a conduit to enhance the relationship between the Ohio Department of Education and the District.

Ms. Bates provided Ms. Cahill with an email from the Council of the Great City Schools regarding the Affordable Care Act, ESSA and the Census Poverty Data Board to assist the Board in coming up with the best approach.

Transportation Update

Mr. Davis updated the Committee on the number and type of students being transported by Metro and yellow buses. He reported that more students are riding ~~Metro and ridership for special needs services are increasing~~ **provided transportation, that there could be more cost effective means for special needs students. Committee member Jones emphasized that the students' needs are our primary concerns.**

Technology Support Contract Discussion

Sarah Trimble-Oliver, Chief Information Officer

Ms. Trimble-Oliver informed the Committee that the Tech Soft contract is in the fifth year of its five-year contract and that she would like to extend their contract to a sixth year due to restructuring how field technology supports the elementary and high schools. The technology is connected to the Vision 2020 programs and the MyTomorrow initiatives.

She reported that SAN equipment in the data center and core network switches need to be replaced by the end of this fiscal year. HP and CISCO are the manufactures of the equipment, and equipment will be purchased from the preferred reseller/partners.

Ms. Trimble-Oliver reported that the Data Center is being relocated and updated. The project is in the planning stages and there will be a request to transfer \$750,000 from the General Fund to the Permanent Improvement Fund 3. This has been included in the Information Technology budget.

Treasurer Financial Updates

Jennifer Wagner, CFO/Treasurer

Monthly and Year-to-Date Revenue and Expenditures

Treasurer Wagner provided the Committee with the following update for General Fund monthly statements through February 2017.

- Revenues through February \$5.2M higher than last year due State Foundation income increases (higher enrollment).
 - \$460.3M of \$512.5 Anticipated (89.8%)
 - 3-year average of Feb YTD Revenues is 81.7%
- Expenditures are lower year to date in comparison:
 - Schoolwide pool transfer – Last year the schoolwide pool transfer was recorded in error in January for the full year instead of year-to-date, was not corrected until March.
 - Without the effects of the SWP transfer, expenditures year-to-date are \$16.6M lower than last year.
 - 355.7M of 557.6M anticipated (63.8%)
 - 3-year average of Feb YTD Expenditures is 74.8%

Schoolwide Pool (Fund 598):

- Revenues – \$122.9M of anticipated \$197.2 (62.3%)
- Expenditures – \$124.0M of anticipated \$189.7M (65.4%)

Please find attached the February 2017 General Fund Year-to-Date graph.

State and Federal Grants Summary

Mrs. Wagner reported that the District has received 85 percent of State funds and 43 percent of Federal funds for a combined total of 51 percent.

	State	Federal	Combined
Beg. Cash	\$3,185,188.40	\$12,276,039.20	\$15,461,227.60
Receipts YTD	12,751,225.86	32,286,724.82	45,037,950.68
Expenditures YTD	8,495,232.55	42,694,252.97	51,189,485.52
Encumbrances	2,280,280.19	5,521,943.65	7,802,223.84
Unencumbered Cash	\$5,160,901.52	(\$3,653,432.60)	(\$1,507,468.92)
Estimated Receipts	\$14,836,909.89	\$ 73,491,438.40	\$ 88,328,348.29
% Received of total	85.9%	43.9%	51.0%

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 April 10, 2017 Regular Board meeting.

Agreement	Years of Agreement	Estimated Annual Revenue	Estimated Total Agreement Revenue
(A) Children United Description: improvements made to real property located in Cincinnati at 3277 Beekman Street in the Millvale neighborhood in connection with the construction of a child care facility.	15-year	\$9,586.06	\$143,790.90
(B) Film Center Description: improvements made to real property located at 1632 Central Parkway in the Over-the Rhine neighborhood with the remodeling of the building thereon into residential and office space.	10-year	\$71,959.75	\$719,597.47
(C) KAAPS 7364, LLC. Description: improvements made to real property located at 7364 Reading Road in the Roselawn in the Roselawn neighborhood of the Cincinnati in connection with the remodeling of the building on the property into approximately 64,000 square feet of retail and office space.	12-years	\$11,296.21	\$135,554.56
(D) OTR Holdings, LLC 131w15 Description: improvements made to real property located at 131 W. 15th Street in the Over-the-Rhine neighborhood of Cincinnati in connection with the remodeling of ground floor commercial space.	12-years	\$1,283.77	\$15,405.18
(E) Post Office Place, LLC. Description: improvements made to real property located at 131 W. 15th Street in the Over-the-Rhine neighborhood of Cincinnati in connection with the remodeling of ground commercial space.	8-years	\$766.88	\$6,135.08
(F) Trevarren Flats I, LLC. Description: improvements made to real property located at 961, 965 and 975 East McMillan Street in Cincinnati in connection with the remodeling of three mixed-use buildings to include at least 24 apartments located on such real property.	12-years	\$65,952.09	\$791,425.13

The recent economic development issues bubbling up in several neighborhoods should be discussed at the Board level.

Review Draft of New Year Budget

Mrs. Wagner reviewed a budget timeline provided by Chandra Brown, Director of Budget and Accounting. The Committee discussed the need to meet to discuss the following:

- Budget Work Session on May 17
- Five Year Forecast May 17
- Budget Hearing May 24

ACTION: Ms. Bolton advised the Finance Committee to stay ahead of the economic development that is occurring in the city, ~~the tearing down of neighborhoods and traffic patterns~~ **and be cognizant of neighborhood concerns regarding development that impact housing and traffic and neighborhood integrity.**

ACTION: **The Committee directed Bill Moerhing, Interim Chief Operations Officer, to review the proposed Children's Hospital development on our own two Avondale schools.**

Treasurer Evaluation

Treasurer Wagner will present her final evaluation to the Board at the June 7, 2017 Regular meeting.

The meeting adjourned at 1:49 PM.

Finance Committee

Melanie Bates, Chair
Eve Bolton
Carolyn Jones

Staff Liaisons

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