

## REPORT OF THE FINANCE COMMITTEE

The Finance Committee met on Thursday, February 15, 2018 at 4:00 PM at the Cincinnati Public Schools Education Center in the Board Conference Room.

### ATTENDEES

#### Finance Committee Members

Melanie Bates, 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; Lauren Roberts, Internal Auditor; Barbara Mattei-Smith, Director of Performance and Accountability; Jennifer Wagner, Treasurer

#### Kearney and Kearney

Eric Kearney, CEO, President

#### Rockmill Financial Consulting

David J. Conley, Owner, Managing Partner

Brenda A. Wehmer, Dinsmore & Shohl, LLP

#### Emily Cannon, Director, PNC Capital Markets

LLC - Public Finance

#### Community Members/Board Candidates/Parents

Marlena Brookfield, David Brenner, Tom Conlan, Craig Rozen

#### Cincinnati Federation of Teachers

Julie Sellers, President

Committee Chair Messer began the meeting with a moment of silence for the families and victims of the mass shooting on February 14, 2018, at Marjory Stoneman Douglas High School in Parkland, Florida.

### Governmental Relations Update

Mr. Kearney informed the Committee that Nan Cahall has returned to working for Senator Portman and will no longer be in attendance at the Finance Committee meetings. Mr. Kearney will be the main contact and will be working with Focused Capital Solutions to assist him in his work in providing legislative information appropriate to CPS.

Mr. Kearney updated the Committee on the following projects:

#### ROTC

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

- Met with Superintendent Mitchell

Breakfast with SW Ohio Legislators

- Dater High School

Friday, February 23, 2018

- RSVP's from:
  - Senator Louis Terhar, Representative Bill Sietz
- Invites out to:
  - Representatives Bill Blessing, Tom Brinkman, Catherine Ingram, Brigid Kelly, Alicia Reece, and Senators Cecil Thomas, Steve Wilson.

House Bill 512

Mr. Kearney informed the Committee about an article contained in “The Toledo Blade” newspaper titled, “*Reform proposal would weaken State Board of Education.*”

The article is about the Ohio House of Representatives considering legislation to combine the Ohio Department of Education with the Ohio Department of Higher Education and the Governor’s Office of Workforce Transformation (House Bill 512). Representative Bill Reineke (R-Tiffin) introduced the bill. The bill also transfers much of the duties and authority of the State Board of Education and superintendent of public instruction to the newly created Department of Learning and Achievement.

Click this link to access the article: [Reform proposal would weaken State Board of Education](#)

Mr. Kearney asked for guidance on how the Board would like for him to intervene with legislation in relation to FC Cincinnati.

Mr. Messer advised that Mr. Kearney could inform the Board on how Community Benefit’s Agreements (CBA) function, by working with a staff member at City Hall. Ms. Bates advised that Mr. Kearney could assist in processes to ensure that the District is “made whole.”

Mr. Messer also informed the group that it is premature to be having conversations about approving an agreement with FC Cincinnati until the community has been engaged, and details of a CBA have been established.

**COPS (Certificate of Participation) Refunding Opportunity**

David Conley, Rockmill Financial Consulting

Mr. Conley discussed with the Committee the District’s Certificates of Participation structure and a bond refinancing opportunity. His update included the following variables:

- Overview of the District’s Limited Tax General Obligation (LTGO) Bonds
- Taxable Refunding
- Targeted 2010 Bond Payments\* (See chart below)
- Market Activity
- Interest Rate Savings
- Potential Savings\* (See chart below)

Mr. Conley’s full report is available in the Board office.



## Targeted 2010 Bond Payments

Period Ending	Principal	Coupon	Interest	Debt Service
12/01/2018	-	-	3,346,912.50	3,346,912.50
12/01/2019	-	-	3,346,912.50	3,346,912.50
12/01/2020	-	-	3,346,912.50	3,346,912.50
12/01/2021	6,060,000	5.250%	3,187,837.50	9,247,837.50
12/01/2022	6,380,000	5.250%	2,861,287.50	9,241,287.50
12/01/2023	6,720,000	5.250%	2,517,412.50	9,237,412.50
12/01/2024	4,765,000	5.250%	2,215,931.25	6,980,931.25
12/01/2025	5,015,000	5.250%	1,959,206.25	6,974,206.25
12/01/2026	5,275,000	5.250%	1,689,093.75	6,964,093.75
12/01/2027	5,550,000	5.250%	1,404,937.50	6,954,937.50
12/01/2028	5,845,000	5.000%	1,113,125.00	6,958,125.00
12/01/2029	6,135,000	5.000%	813,625.00	6,948,625.00
12/01/2030	6,440,000	5.000%	499,250.00	6,939,250.00
12/01/2031	6,765,000	5.000%	169,125.00	6,934,125.00
	64,950,000		28,471,568.75	93,421,568.75



# Potential Savings

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 04/01/2018 (@ 3.6172882%)
12/31/2018	3,346,912.50	3,160,509.81	186,402.69	176,926.76
12/31/2019	3,346,912.50	3,160,250.51	186,661.99	170,787.79
12/31/2020	3,346,912.50	3,160,507.16	186,405.34	164,363.25
12/31/2021	9,247,837.50	9,064,384.26	183,453.24	156,946.46
12/31/2022	9,241,287.50	9,058,746.33	182,541.17	151,589.55
12/31/2023	9,237,412.50	9,050,129.58	187,282.92	151,118.59
12/31/2024	6,980,931.25	6,795,151.51	185,779.74	145,142.97
12/31/2025	6,974,206.25	6,786,857.26	187,348.99	141,791.55
12/31/2026	6,964,093.75	6,777,466.76	186,626.99	136,802.91
12/31/2027	6,954,937.50	6,771,187.88	183,749.62	130,449.81
12/31/2028	6,958,125.00	6,771,731.75	186,393.25	128,129.77
12/31/2029	6,948,625.00	6,763,217.75	185,407.25	123,379.92
12/31/2030	6,939,250.00	6,754,818.88	184,431.12	118,811.22
12/31/2031	6,934,125.00	6,747,134.63	186,990.37	116,633.51
	93,421,568.75	90,822,094.07	2,599,474.68	2,012,874.05

Savings Summary

Dated Date	04/01/2018
Delivery Date	04/01/2018
PV of savings from cash flow	2,012,874.05
Plus: Refunding funds on hand	1,092.64
<b>Net PV Savings</b>	<b>2,013,966.69</b>

**ACTION:** The Committee agreed with Mr. Conley’s recommendations to refinance the bonds to take advantage of the savings. The Committee will recommend approval of the refinancing to the Board for approval at the February 21, 2018 Regular Business meeting. The current interest rate is 3.1% and savings would be about, \$186,000.00.

*A certificate of participation (COP) is a type of financing where an investor purchases a share of the lease revenues of a program rather than the bond being secured by those revenues. Certificates of participation are secured by lease revenues.*

**Reconciliation Specialist Update**

Ms. Mattei-Smith provided the Committee with a copy of the below Charter School Reconciliation report for enrollments from December 19, 2017 through February 14, 2018. She informed the group that there were 345 new enrollments into the charter schools during this time frame due to the closing of ECOT (Electronic Classroom of Tomorrow).

Ms. Mattei-Smith’s report is attached to the bottom of this report.

## 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 January 2018.

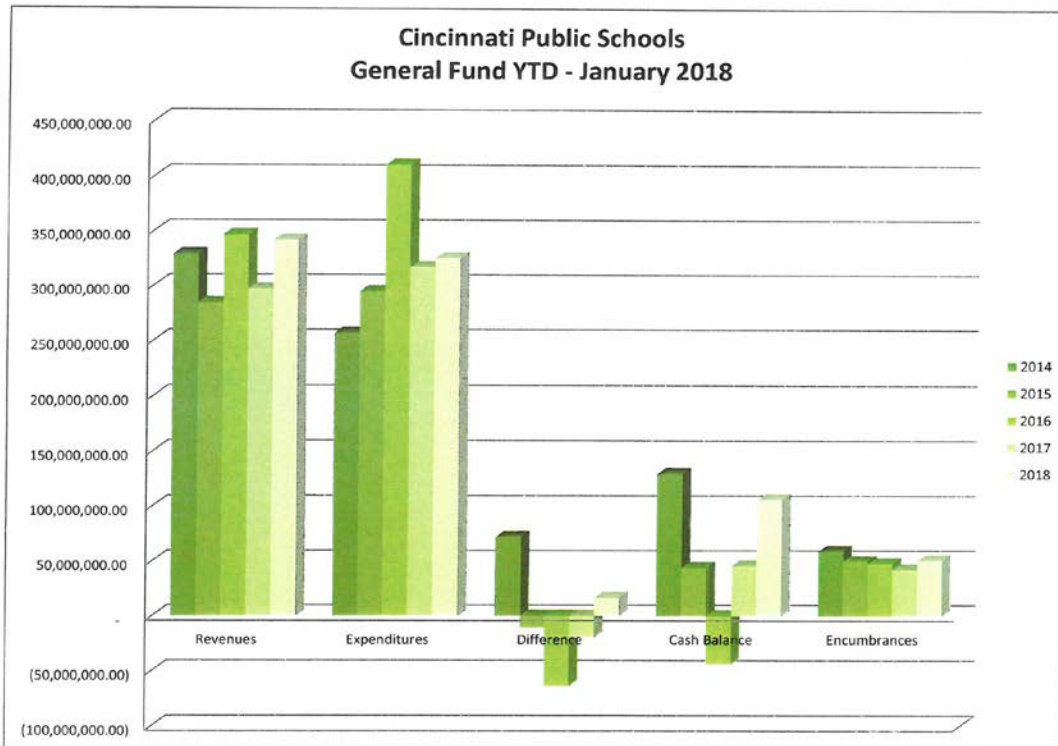
- Revenues – Operating revenues continue to trend higher than FY17 by \$44.4M due to increases in property tax revenue and state aid (Increased enrollment).
- Expenditures – Are slightly higher than last year, however the district is still trending under as a percent spent of yearly total. The district spent 53.9 % of estimated total expenditures, compared to an average of 61% over the last four years.

Preschool Expansion Financial Report:

- CPS Tuition assistance review

Schoolwide Pool (Fund 598):

- Revenues – \$104.5M of anticipated \$199.4M (52.4%)
- Expenditures – \$105.0M of anticipated \$199.4M (52.7%)



**State & Federal Grants Summary**

	State	Federal	Combined
Beg. Cash	160,203.97	9,033,883.07	9,194,087.04
Receipts YTD	7,155,040.35	30,340,234.16	37,495,274.51
Expenditures YTD	6,522,438.76	36,525,413.47	43,188,852.23
Encumbrances	880,313.33	6,331,834.89	6,331,834.89
Unencumbered Cash	(117,507.77)	145,306.32	27,798.55
Estimated Receipts	\$ 15,115,192	\$59,905,380	\$75,020,572
% Received of total	47.3%	50.6%	50.0%

*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
<b>(A.) <u>Camden Land Group</u></b>	15-years	\$10,573.78	\$1,553,606.68

*Description:* improvements made to real property located at 1201 Elisnore Place in the East Walnut the Mount Adams neighborhood of Cincinnati, in connection with the construction of approximately 64 residential units.

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

- CPS General Fund Financial Report as of January 2018
- Cash Summary By Fund as of January 2018
- General Fund 001 – Budget to Actual with Encumb by Fund, Obj, as of January 2018
- Fund 598 – Schoolwide Building Program, Budget to Actual with Encumb by Fund, Obj, as of January 2018
- Cash Summary by Fund; As of December 2017: State, Federal and Combined Funds

Copies of the reports are available in the Board office.

**Cincinnati Public Schools Preschool Expansion – FY2018**

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

**Cincinnati Public Schools  
Preschool Expansion - FY2018**

	CPS FY18	Rev CPS Budget	JAN YTD Actual	Encumbered	Balance
<b>Revenues:</b>					
General R/E Property Tax	13,649,553.39	13,649,553.39	8,524,775.27		5,124,778.12
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	9,154,801.70	-	5,680,198.31
<b>Expenses:</b>					
Tuition Assistance	4,504,418.00	4,504,418.00	2,176,878.24	-	2,327,539.76
CPS Payments to United Way	7,081,837.18	7,081,837.18	5,311,377.87	1,770,459.31	-
Cost of Quality (Wages) and WDC	57,722.00	57,722.00	-	-	57,722.00
** Special Education Support	880,003.95	834,941.76	167,012.32	-	667,929.44
Recurring administrative: Expenses	200,000.00	199,274.37	60,744.35	-	138,530.02
	12,723,981.13	12,678,193.31	7,716,012.78	1,770,459.31	3,191,721.22
Net income	2,111,018.88	2,156,806.70	1,438,788.92	(1,770,459.31)	2,488,477.09

\*\* 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.

Dependent on fund flow policy, some costs budgeted here may be covered with funds not spent in the startup period that were budgeted to cover the same or similar items.				Summarized Budget Report									
CPS and CPP Budget & Actuals Breakout													
	START UP (APPROVED) JAN-JUNE 2017	FY 2018 (APPROVED) (SY 2017-2018)	YEAR 1 TOTAL*	3YO Pilot	CPP FY18 Budget	CPP FY18 11/30/17 YTD	CPP FY18 12/31/17 YTD	CPS FY18 Budget	CPS FY18 11/30/17 YTD	CPS FY18 12/31/17 YTD	Combined FY18 Budget	Combined FY18 11/30/17 YTD	Combined FY18 12/31/17 YTD
Tuition Assistance	\$ -	\$ 7,008,446	\$ 7,008,446	\$ 1,450,000	\$ 2,238,823	\$ 553,801	\$ 798,504	\$ 4,769,623	\$ -	\$ 1,750,359	\$ 7,008,446	\$ 553,801	\$ 2,558,863
Quality Improvement	\$ -	\$ 2,472,472	\$ 2,472,472		\$ 2,472,472	\$ 8,167	\$ 8,242	\$ -	\$ -	\$ -	\$ 2,472,472	\$ 8,167	\$ 8,242
Cost of Quality (Wages) & Workforce Development Council	\$ -	\$ 57,722	\$ 57,722		\$ -	\$ -	\$ -	\$ 57,722	\$ -	\$ -	\$ 57,722	\$ -	\$ -
Special Education Support	\$ -	\$ 880,004	\$ 880,004		\$ -	\$ -	\$ -	\$ 880,004	\$ 27,497	\$ 133,577	\$ 880,004	\$ 27,497	\$ 133,577
<b>SUM OF PROGRAMS</b>	<b>\$ -</b>	<b>\$ 10,418,644</b>	<b>\$ 10,418,644</b>	<b>\$ 1,450,000</b>	<b>\$ 4,711,295</b>	<b>\$ 561,968</b>	<b>\$ 806,746</b>	<b>\$ 5,707,349</b>	<b>\$ 27,497</b>	<b>\$ 1,893,936</b>	<b>\$ 10,418,644</b>	<b>\$ 589,465</b>	<b>\$ 2,700,682</b>
<b>Administration and Data Systems</b>													
Data & Enrollment Systems, Evaluation	\$ 150,000	\$ 1,160,924	\$ 1,310,924		\$ 1,160,924	\$ 353,735	\$ 505,607	\$ -	\$ -	\$ -	\$ 1,160,924	\$ 353,735	\$ 505,607
Communications & Outreach	\$ 62,385	\$ 113,603	\$ 91,550		\$ 113,603	\$ 23,239	\$ 23,658	\$ -	\$ -	\$ -	\$ 113,603	\$ 23,239	\$ 23,658
M&A - General	\$ 43,250	\$ 87,500	\$ 130,750		\$ 87,500	\$ 24,127	\$ 28,442	\$ -	\$ -	\$ -	\$ 87,500	\$ 24,127	\$ 28,442
M&A - Internal staff	\$ 171,400	\$ 772,500	\$ 908,900		\$ 772,500	\$ 250,191	\$ 289,176	\$ -	\$ -	\$ -	\$ 772,500	\$ 250,191	\$ 289,176
M&A - external staff and contracting	\$ 983,800	\$ 55,000	\$ 1,038,800		\$ 55,000	\$ 32,000	\$ 32,000	\$ -	\$ -	\$ -	\$ 55,000	\$ 32,000	\$ 32,000
M&A - facilities	\$ 78,000	\$ 66,015	\$ 144,015		\$ 66,015	\$ 50,132	\$ 53,364	\$ -	\$ -	\$ -	\$ 66,015	\$ 50,132	\$ 53,364
UWGC & CPS Admin Fees	\$ 85,000	\$ 315,000	\$ 400,000		\$ 115,000	\$ 47,917	\$ 57,500	\$ 200,000	\$ 18,398	\$ 51,330	\$ 315,000	\$ 66,314	\$ 108,830
<b>SUM OF EXPENSES</b>	<b>\$ 1,573,835</b>	<b>\$ 2,570,542</b>	<b>\$ 4,144,377</b>		<b>\$ 2,370,542</b>	<b>\$ 781,342</b>	<b>\$ 989,747</b>	<b>\$ 200,000</b>	<b>\$ 18,398</b>	<b>\$ 51,330</b>	<b>\$ 2,570,542</b>	<b>\$ 799,739</b>	<b>\$ 1,041,078</b>
<b>Total****</b>	<b>\$ 1,573,835</b>	<b>\$ 12,989,186</b>	<b>\$ 14,563,021</b>		<b>\$ 7,081,837</b>	<b>\$ 1,343,310</b>	<b>\$ 1,796,493</b>	<b>\$ 5,907,349</b>	<b>\$ 45,895</b>	<b>\$ 1,945,267</b>	<b>\$ 12,989,186</b>	<b>\$ 1,389,204</b>	<b>\$ 3,741,760</b>
<b>Notes</b>													
*The first year of levy funds will cover the startup period (January-June 2017) as well as the first school year (SY 2017-2018)													
<b>Key CPP Changes for Month Ending 12/31/17</b>													
1. T.A. payments +\$250k													
2. Data & Enrollment Systems, Evaluation- Accrual for Evaluators +\$110k, MetrixIQ charges +\$40k monthly service													
3. M&A Internal staff- \$40k monthly payroll													
Yellow items are still to find their appropriate CPP or CPS budget location, even if shown within CPS, CPP, or neither.													

Mrs. Wagner and Pastor Ennis Tait updated the Committee on the above combined budget (CPS, CPP and United Way).

The report includes: Tuition Assistance, Quality Improvement, Cost of Quality (Wages) and Workforce Development Council, Special Education Support and, Administration and Data Systems.

**New Year Budget Development Update**

Mrs. Wagner reported that budget templates have been sent out to the schools and central office. She will present a first draft of the budget at the March 15, 2018 Finance Committee meeting.

**Comprehensive Annual Financial Report (CAFR)**

Mrs. Wagner provided the Committee with a copy of the 2017 CAFR for the District. The document is for fiscal year ending June 30, 2017.

The report contains financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the District.



### **House Bills (HB) Disposition**

The District's governmental relations team recommended that CPS contact legislators to oppose the following bills:

#### **HB 343 Property Values**

HB 343 would require school districts to:

- Notify property owners that the district is considering a board of revision filing to request an increase in the taxable value of the property. If the taxing address is different from the property address, notices must be sent to both.
- After notifying property owners, boards of education must pass a resolution naming all the properties where the board intends to challenge values after notification is made and before a filing can occur.

#### **HB 371 Property Tax**

HB 371 authorizes a tax exemption or freeze in the value of land in the pre-residential development stage and reduces property taxes for land purchased for residential development purposes.

- Specifically, the exemption applies to any subdivided, unimproved parcel on which construction of residential buildings (single- or multi-family dwellings) is planned but has not started.
- The bill specifies that residential construction is not deemed to have begun solely on the basis of streets, sidewalks, curbs, driveways, or water, sewer or other utility lines having been constructed or installed.

**ACTION:** The Committee agreed to oppose the bills and will recommend to the Board approval of the opposition. The Administration will also advise Mr. Kearney of the Board's position and do a resolution for submission to OASBO (Ohio Association of School Business Officials).

#### **Tax Abatements**

Mrs. Wagner updated the Committee on the District's Tax Abatements. She reported that the District has an agreement with the city that began in 1999 and dollars go towards the debt. Her report included:

- CPS' Current Status:
  - 215 Active Agreements
  - Abated Value \$749,033,420.00
  - Average of 12 years (range 4-15 years)
  - Annual Revenue \$6, 105,688.27)
- 28 Pending Agreements
- CRA Billing Research Project
- Tax Increment Financing Communities
- CPS Millage
- Financial Impact to CPS
- Top Level Calculations
- Tax Exemptions Available to the Port Authority

A copy of the presentation is available in the Board office.

- ACTION: Mr. Messer advised the Administration to reach out to City officials to track and report payments of TIF dollars.
- ACTION: Mr. Messer advised the Administration to build a process map on how the agreements are processed through the system.
- ACTION: The Committee assigned the Audit Committee to discuss Tax Abatements.
- ACTION: Discuss with ACES how TIFs' are being managed.
- ACTION: Mr. Messer will meet with Councilmen David Mann regarding the TIF's and invite him to a Finance Committee meeting to have a conversation about the TIF agreement.
- ACTION: Mr. Messer also recommended to discuss TIF's at a community meeting.

**Post Audit Discussion and Workplan**

Mrs. Wagner reported that this item is on the Committee's monthly Workplan and there were no findings.

**Treasurer Evaluation**

Mr. Messer will follow-up with the Board to provide the results of the evaluation to Mrs. Wagner. The Committee will discuss the feedback in Executive Session.

**Committee Work Plan – Review and Update**

The Committee will update the plan to include working with City's Budget Council.

**Present OSBA 2018 Legislative Platform**

The Committee will submit any revisions to Board staff.

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