



November 15

2021

REPORT OF THE BUDGET, FINANCE AND GROWTH COMMITTEE

The Budget, Finance and Growth Committee met on Thursday, October 21, 2021, at 4:00 PM in the Rosa E. Blackwell Interactive Learning Center, 2651 Burnet Avenue, 45219.

The public viewed the meeting via Video Conference.

ATTENDEES

Finance Committee Members

Chairperson Eve Bolton, Ryan Messer, *Virtually* – Melanie Bates

Administrators

Tianay Amat, Interim Superintendent; Jennifer Wagner, Treasurer/CFO; Kevin Ashley, Director of Finance Reporting; Lenise Fuqua, Interim Director of Transportation; Tya Grengbondai, Manager State and Federal Programs; Kimberly Hughes, Assistant Treasurer; Lauren Roberts, Director of Internal Audits; Connie Solano, Interim Chief Operations Officer

Dinsmore & Shohl, LLP

Brenda A. Wehmer, Partner

Escrow Agreement Change

Brenda Wehmer, Partner, Dinsmore & Shohl, presented the following memo to the Committee regarding a necessary change to CPS' Escrow Agreement with Hamilton County.

Several recent and upcoming events necessitate the School District take certain actions with respect to the compensation payments it receives from the City and the County for various tax incentives.

Background:

The School District has been receiving compensation payments from the City of Cincinnati (the "City") and Hamilton County (the "County") related to certain tax incentives for the past twenty years, which payments were previously used to finance capital infrastructure improvements for the School District pursuant to Section 133.06(H) of the Ohio Revised Code ("Section 133.06(H)"). Section 133.06(H) permits school districts to issue unvoted general obligation debt in excess of the 1/10th of 1% debt limitation if the school district pledges service payments in lieu of taxes to support such debt obligations. The School District entered into an Escrow Deposit Agreement, with Provident Bank, now Huntington National Bank (the "Bank"), and the County in connection with Bonds issued by the School District in 2001 pursuant to Section 133.06(H). The Escrow Deposit Agreement, required that all compensation payments due to the School District from the County be paid to the Bank and held in escrow by the Bank to be used to make debt service payments on debt obligations issued by the School District pursuant to Section 133.06(H); excess amounts were to be returned to the School District on an annual basis.

Pursuant to a Letter of Instructions to the City from the School District, the City was also instructed to send all compensation payments due to the School District pursuant to the 1999 Compensation Agreement between the City and the School District to the Bank to be held in escrow pursuant to the Escrow Deposit Agreement. The Escrow Deposit Agreement terminates upon the final maturity/payment of all Section 133.06(H) obligations.

The School District issued Section 133.06(H) Bonds pledging the compensation payments in 2001, which were refunded in 2005.

The School District issued Certificates of Participation (“COPs”) in 2006, which were refunded in 2014 and 2015 and 2021, to fund various capital improvements, for which the School District pledged the compensation payments received from the City and the County, subject to prior pledges for the 133.06(H) Bonds and subject to annual appropriation. The COPs are not 133.06(H) Bonds under the Ohio Revised Code.

Section 5(c) of the Lease Agreement for the COPs required the District to instruct the Bank to send the annual excess under the escrow agreement to BoNY (Trustee for the COPs) for deposit into the Lease Payment Certificate Fund for the COPs. The Trust Indenture, Section 5.07, for the COPs has similar language requiring the excess from the Bank escrow be sent to BoNY and further goes on to instruct BoNY to use such monies to pay debt service on the COPs and to annually return any excess to the School District.

Recent and upcoming events:

The original compensation agreement with the City has expired and a new agreement is in place. The new agreement no longer requires that the compensation payments be used by the School District for capital improvements. The original letter of instructions requesting the City deposit compensation payments with the Bank, only applied to compensation payments owed pursuant to the 1999 agreement.

The City is no longer sending compensation payments to the Bank and is sending those directly to the School District.

The final payment on the 2005, Section 133.06(H) Bonds will be made on December 1, 2021. There will be no Section 133.06(H) Bonds outstanding after December 1, 2021.

The Escrow Deposit Agreement will terminate. Neither the City nor the County should send any future compensation payments to the Bank.

Actions and recommendations:

First, a Letter needs to be sent to the County to inform them that the Escrow Deposit Agreement will terminate this December and that they should no longer send the compensation payments to the Bank, but should send them to the School District. (Dinsmore will draft a letter for the District’s review.)

Since there will be no Section 133.06(H) Bonds outstanding, the School District should deposit the compensation payments into the General Fund rather than a bond retirement fund.

Generally, compensation payments pursuant to an agreement for tax incentives and/or tax exemptions are considered general fund money with no limitations on how they can be spent by a school district.

Monies in a bond retirement fund can only be used to make debt service payments on bonds and notes and certificates of indebtedness, but not to make lease payments under a lease purchase agreement.

Compensation payments can be used to pay lease payments from the General Fund.

Assuming the payments are appropriated annually, the School District should send the amounts necessary for the COPS debt service payments to BoNY from the amounts received as compensation payments from the City and County as soon as the amounts are received from the City and/or County. The School District should retain, in the General Fund any amount in excess of the amounts necessary to make the COPs debt service payments.

Ms. Wehmer has prepared a draft letter and will provide it electronically for any edits. Once the letter is finalized, it will be sent to the County. Board approval is not required to send the letter, as it is an administrative action.

Ms. Wehmer reported that the movement and deposit of the funds should be part of the budget process. Treasurer Wagner informed the Committee that a new appropriations resolution will be prepared and submitted for Board approval.

Ms. Wagner shared with the Committee that David Conley, CPS’ financial advisor, has been involved with all conversations regarding this Escrow Agreement Change.

Preschool Promise – Part-Time versus Full-Time Enrollment

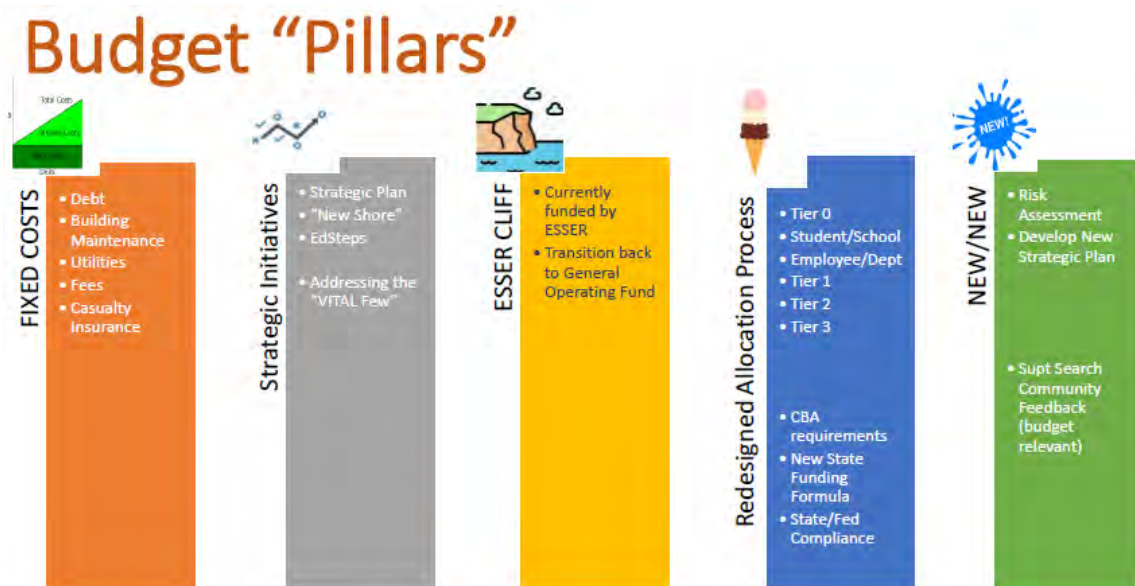
This will be carried forward to next month’s Committee meeting on November 18, 2021 with a monthly update and a review of part-time and full-time enrollment.

Budget Update

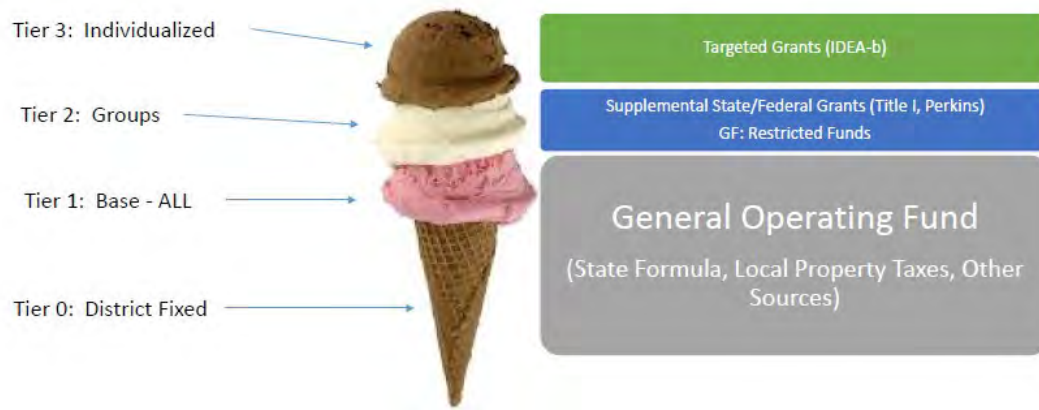
Treasurer Wagner updated the Committee on the annual budget development and review process.

She shared that Strategy 1.3 of the CPS Strategic Plan, *Student Centered Decision Making – We put students first*, states:

Institute an annual budget development and review process that provides multiple points of access to influence an equitable distribution of resources to all students individually or commonly required.



Funding “TIERS” (Students/Schools & Employees/Departments)



School Related Timelines (draft)

October 26 – 29	Student Projections
November 29 – December 10	FY23 Staffing
January/February	Non-Personnel

Central Administration Timeline

October	Budget Manager Build Priorities, Goals, Strategies, and Measures (PGSMs)
November	PLT Review Priorities, Goals, Strategies, and Measures (PGSMs)
February	Consolidate and Analyze

Performance Leadership Team (PLT) Activities October – December

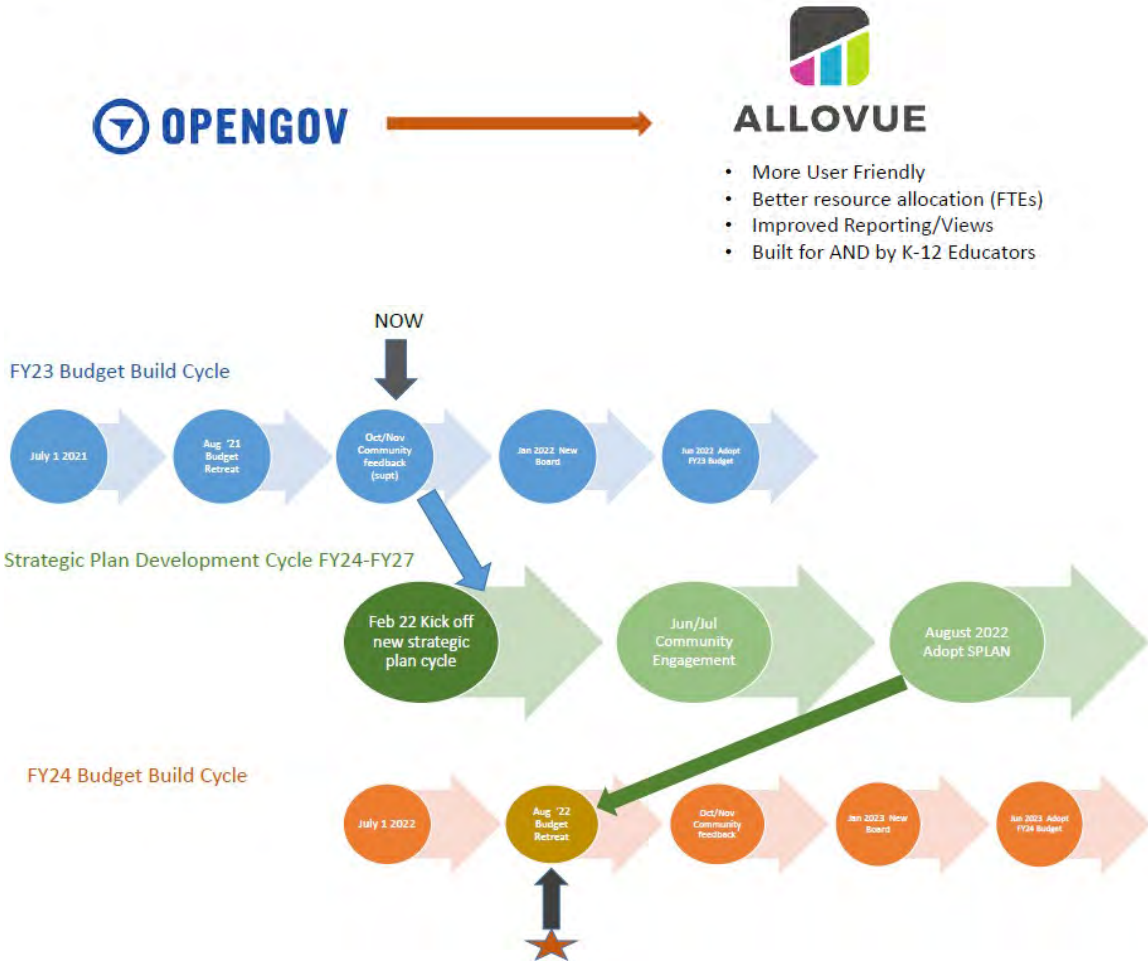
- Student Projections
- Staffing Formula Reviews
 - Current Status
 - National Standards
 - COVID Modifications
- FY23 Budget Initiatives (from the Budget Pillars)
 - Determining the Scope of Investment
 - Return on Investment
- Vendor Contract Review
 - Outsource versus Insource
 - Return on Investment
 - Alignment with “FY23 Vital Few”

New Budget Tool

Request for Proposal (RFP)

April – June 2021

- RFP Team:
- CAAS Field: Jaren Finney, Antwan Lewis, Taylor Porter, Michelle Kipp
 - CAAS Central: Angie Tolle, Emily Campbell, Margaret Hall, Mike Turner, Ross Turpeau, Lucius Jones, Colin Twarek
 - CAAS Finance Team: Mike Gustin, Adam Goeppner, Lisa Bryant, Nan Hawgood, Tya Grengbondai
 - CFOP (4) & PLT (1) representation



Committee Chair Bolton suggested using the current community engagement for the Superintendent Search would be helpful to jump start the community engagement process for the budget.

Strategic Plan Growth

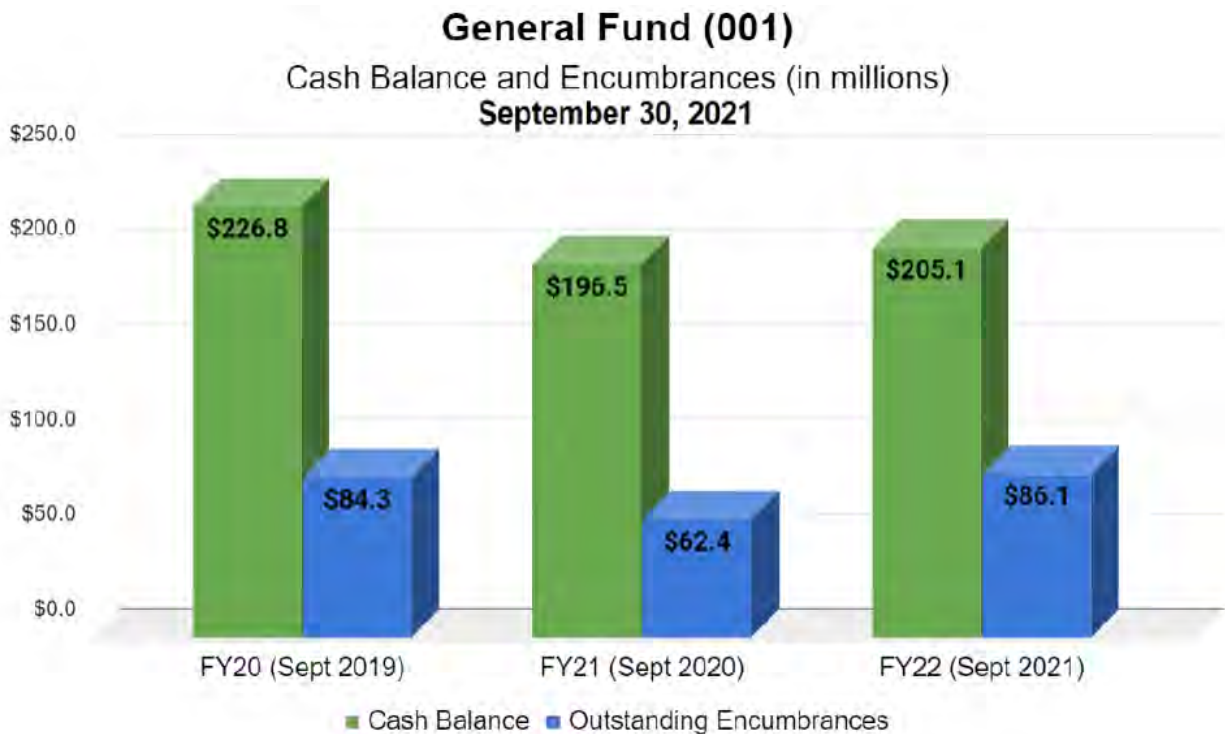
Ms. Bolton shared that on paper the enrolment numbers at the buildings plus the actual capacity per building give the appearance that CPS is under-enrolled, but that it doesn't take into account the other things using square footage in the buildings. There needs to be a way to show that or explain the difference between enrollment and capacity. She suggested there should be an explanation and listing of what is housed in each school in order to identify any void in capacity versus enrollment. That would be essential for CPS in moving ahead on growth and enrollment and facilities.

Financial Report Highlights

Kevin Ashley, Director of Financial Reporting, updated the Committee with highlights on the monthly financial graphs through September 2021 and Fiscal Year 2022.

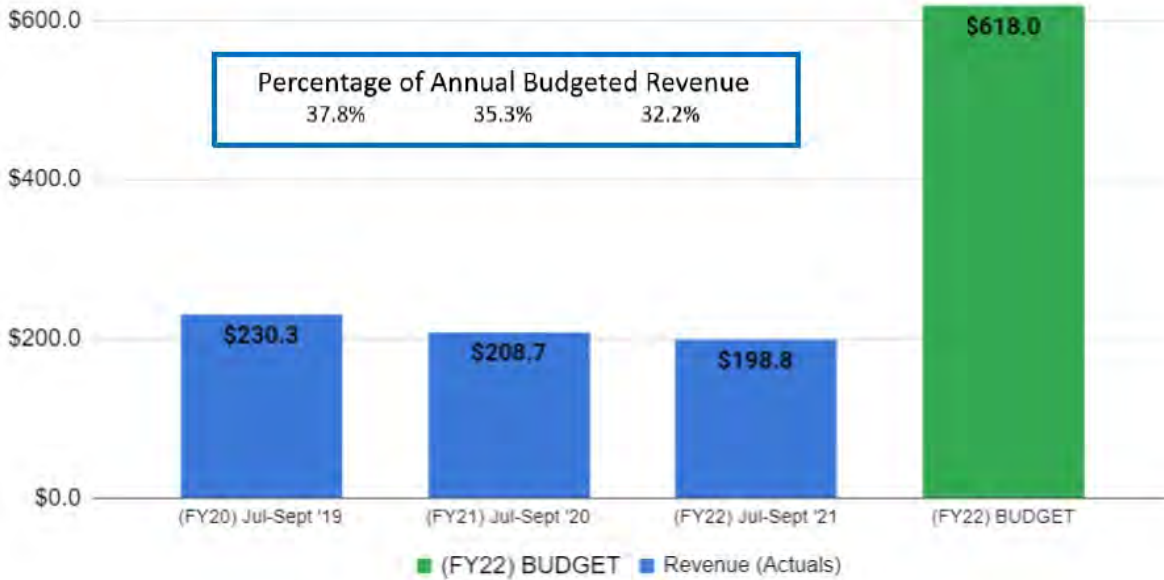
Mr. Ashley highlighted the following:

- General Fund Cash Balances as of September 30, 2021 are up over this point last year.
- General Fund Revenues through September 30, 2021 are down; however, this is directly related to the impact of the new State funding adopted for this fiscal year that eliminates pass-through funding for Community Schools and other scholarship programs. Therefore, the District is on-track, given that Revenues are down but the related Expenditures are down at a higher rate.
- General Fund Expenditures through September 30, 2021 as mentioned above are down related to the elimination of the pass-through funding. Salaries and Benefits expenditures are higher based on collective bargaining agreements.
- School Wide Pool Expenditures, salaries and benefits, are higher based on collective bargaining agreements.
- Preschool students funded through Tuition Assistance for September 2021 were 770 students vs. 564 at this point last year. United Way distributions are down due to the CPP underspend which offsets the quarterly payments due to United Way.



Revenue

General Fund (001)
 3 Year Revenue Comparison (in millions)
September 30, 2021



Revenue

General Fund (001)
 3 Year Revenue by Source Comparison (in millions)
September 30, 2021



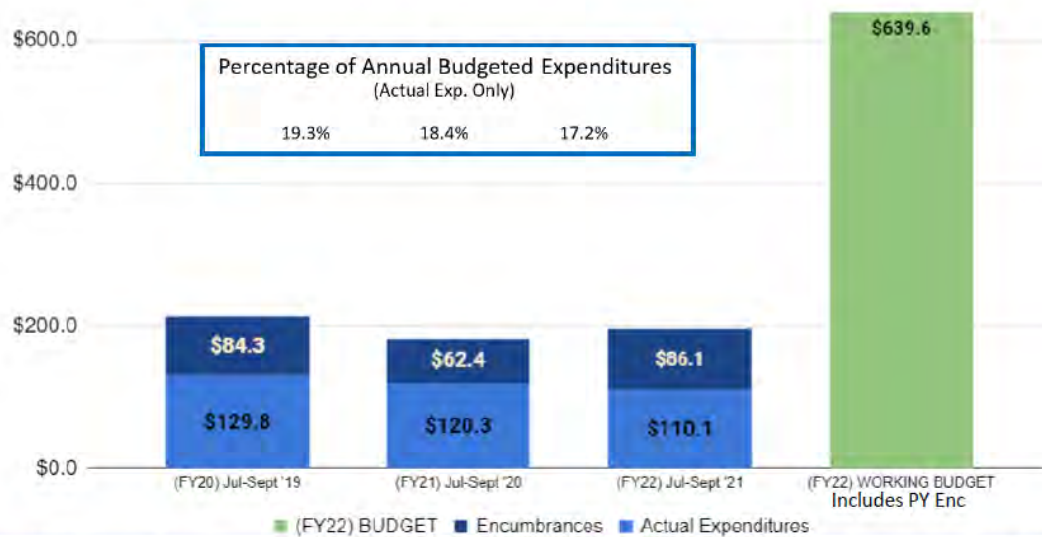
Notes: State Foundation [(-\$19.5M lower due to changes related to HB110 for FY22) Net against Direct pay expenditure/ student tuition deductions.]
 Other Revenue (+\$8.2M higher due, in part, to timing of Homestead and Rollback from the State.)

Expenses

General Fund (001)

3 Year Expenditure Comparison (in millions)

September 30, 2021

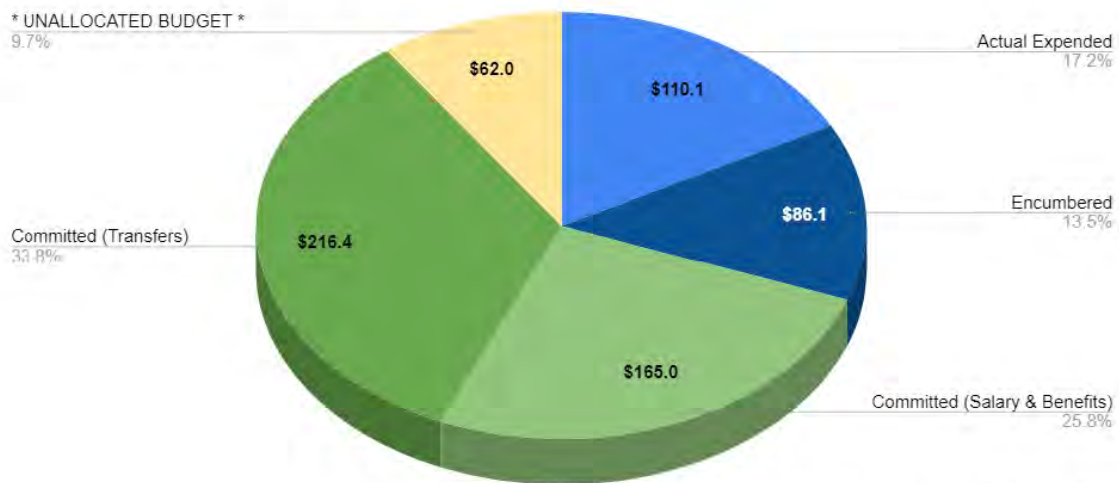


Notes: State Foundation Expenditure deductions for Direct pay tuition/charter students no longer reflected at the District level. (approx. -\$22.0M lower due to changes related to HB110 for FY22); +5.7M higher Salaries and Benefits higher, +\$5.3M higher Transfers Out (SWP); some shift to CARES. Encumbrances (+\$23.7M higher due to addition of/and timing of encumbrances for ITM lease-purchase agreements, utilities, Special education, transportation, etc.)

General Fund (001)

Unallocated Expenditure Budget Assessment (in millions)

September 30, 2021



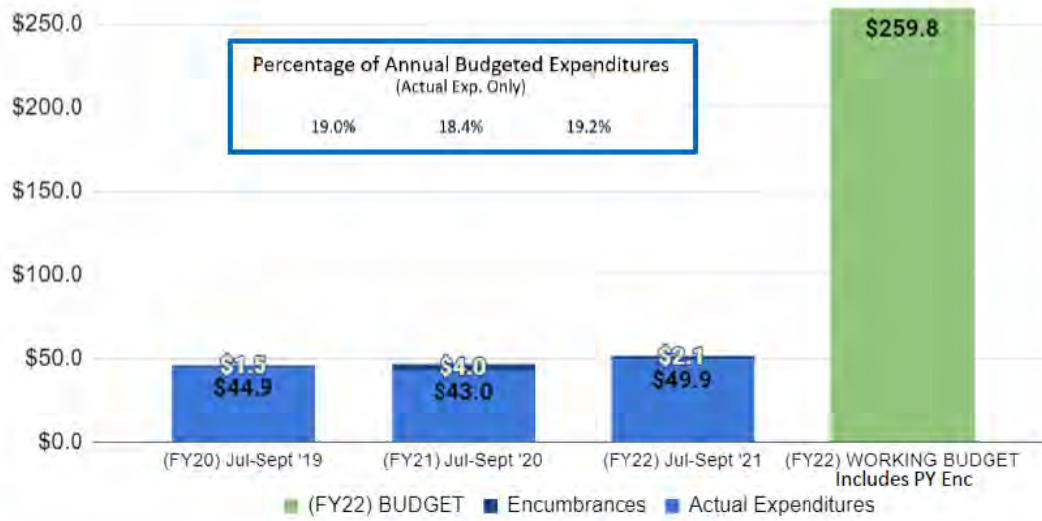
Total Budget=\$639.6

Note: Prior year Unallocated Budget was approximately 20.9%.

School Wide Pool (SWP) Fund (598)

3 Year Expenditure Comparison (in millions)

September 30, 2021

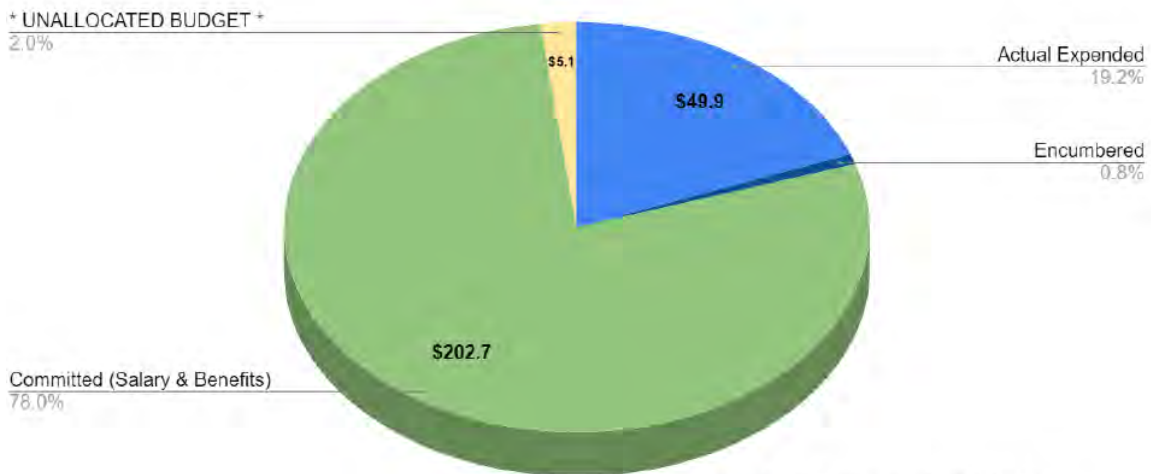


Notes: Salaries and Benefits higher +4.0M; Supplies higher +1.1M.

School Wide Pool (SWP) Fund (598)

Unallocated Expenditure Budget Assessment (in millions)

September 30, 2021



Total Budget=\$259.8

Note: Prior year Unallocated Budget was approximately 2.8%.

CPS Tuition Assistance Summary

	Income	FT	HT	Total	Days	Tuition Assist \$
SEP	<200 %	638	47	685	11,413	\$459,928
	200-250	70	15	85	1,545	\$53,703
	Sub-Total	708	62	770	12,958	\$513,631
Tuition Assistance						
FY22	FYTD:	(Sept 2021 # of students=770)			18,169*	\$753,134
FY21	FYTD:	(Sept 2020 # of students=564)			10,811*	\$444,109

* - FY22–August '21=9 instructional days versus FY21–August '20=1 instructional day

Note: The data in the chart above represents only the CPS preschool students who receive Preschool Tuition Assistance. CPS currently has enrolled 1,713 preschool students.

CPS Preschool Expansion

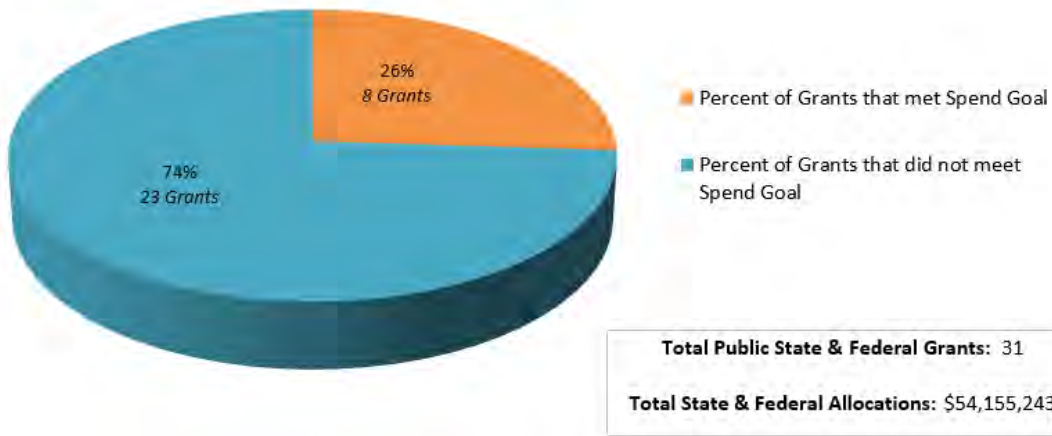
SEPTEMBER 2021 (FY22)	* Budget FY22	FY22 Actual Jul-Sept 2021	Prior FY21 Actual Jul-Sept 2020
Revenues: (net of Co. Auditor Fees)	\$15,943,542	\$7,434,338	\$7,288,097
Expenses:			
CPS Tuition Assistance	5,300,000	753,134	444,109
Payments to United Way @	7,105,000	0	777,901
Workforce Development	146,605	19,234	30,163
Special Education Support	807,273	156,233	162,244
Administrative Support	183,246	37,134	26,688
Other Professional Services	114,022	4,722	0
Supplies and Materials	237,886	4,178	0
Bldgs/Equip-Capital Outlay	<u>21,732</u>	<u>13,431</u>	<u>123,444</u>
Total	\$13,915,764	\$988,066	\$1,564,549
Net Income	\$2,027,778	\$6,446,272	\$5,723,548
* - Subject to revision. @ – Due to Prior Year CPP underspend, payment schedule differs from Year to Year.			

Committee member Messer said it would be interesting to see how much money CPS is losing through the dollars that were pass-through and how that compares to prior years.

Treasurer Wagner said that all Foundation Payment reports are public; however, she shared that House Bill 110 increased the voucher payments very significantly for EdChoice students. Once the State formulas are finalized, Mrs. Wagner plans on doing an analysis and presentation.

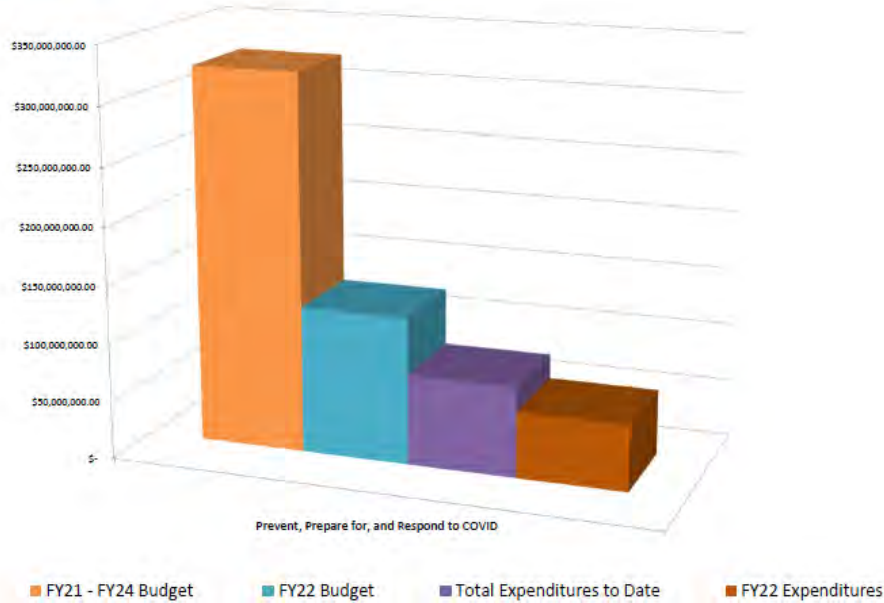
ESSER Totals			324,889,501.89	73,967,113.87	269,732,389.92	42,823,214.85	18,484,614.84	24,369,790.29	35,314,082.51	248,652,204.65	65,482,698.08	181,069,806.52	19%	24%		
Grants to NonPublic Schools			Total Allocation	Personnel Budget	Non Personnel Budget	Total Expenditures	Personnel Expenditures	NonPersonnel Expenditures	Encumbrances	Total Available	Available Personnel	Available NonPersonnel	YTD % Spent	YTD w/ Encu % Spent	Spend Goal Met	
37	Auxiliary NonPublic	401	22A90	9,125,616.00	5,100,000.00	4,025,616.00	1,160,018.34	641,001.59	519,016.75	1,383,099.43	6,582,498.23	4,458,998.41	2,123,499.82	12.71%	27.87%	Met
38	ARP (DEA-B NonPublic	507	22A90	313,723.63	259,200.00	54,523.63	-	-	-	313,723.63	259,200.00	54,523.63	0.00%	0.00%	Not Met	
39	ESSER - Allocation to Data NonPublic	507	22CA0	3,677,810.42	229,424.79	3,349,375.63	1,981,129.69	134,392.03	1,846,536.66	517,583.90	1,079,097.83	94,842.78	984,255.07	55.27%	69.84%	Met
40	Special Education, Part B-IDEA NonPublic	516	22B00	1,403,395.68	1,274,876.14	128,519.54	130,385.02	130,385.02	-	4,767.04	1,268,243.62	1,144,491.12	123,752.50	9.29%	9.63%	Not Met
41	Title III LEL NonPublic	551	22E10	99,580.68	4,879.06	94,601.62	845.91	845.91	-	82,971.07	15,963.70	4,333.15	11,630.55	0.65%	83.97%	Met
42	Title I NonPublic	572	22T00	3,828,642.90	3,008,259.90	819,383.00	394,914.79	391,812.17	3,102.62	238,614.03	3,195,114.08	2,617,447.73	577,666.35	10.31%	16.55%	Not Met
43	Title IV Student Support & Enrichment NonPublic	584	22P00	433,614.55	21,680.75	411,933.80	5,986.38	4,035.78	1,950.60	107,857.16	319,771.01	17,644.97	302,126.04	1.38%	26.25%	Met
44	Title IIIA, Improving Teacher Quality NonPublic	590	22T00	509,326.45	25,466.34	483,860.12	21,213.55	4,312.95	18,901.00	86,310.96	401,801.55	21,153.39	380,648.16	4.17%	21.11%	Met
NonPublic Totals			19,291,710.32	9,524,896.98	9,366,813.34	3,684,293.08	1,306,795.45	2,387,507.63	2,421,203.59	13,176,213.65	8,618,111.53	4,558,102.12	19.15%	32%		
Total			388,188,466.48	123,118,374.45	275,020,081.03	61,887,824.04	24,887,614.17	27,380,108.87	46,306,802.24	300,863,229.20	98,478,880.28	202,384,388.92	18%	24%		

Ms. Grengbondai reported there are 31 grants totaling over \$54 million. Of those grants, only 8 didn't meet the spend goal.



PREPARING STUDENTS FOR LIFE

Elementary and Secondary Schools
Emergency Relief Fund (ESSER)



Period of Availability
 ESSER I September 30, 2022
 ESSER II September 30, 2023
 ESSER III September 30, 2024

Community Reinvestment Act (Payment in Lieu of Tax) Agreements

Kimberly Hughes, Assistant Treasurer, informed the Committee about the following agreements.

Agreement	Years of Agreement	Estimated Annual Revenue	Estimated Total Agreement Revenue
1) <u>17E-Fifteen, LLC</u> <i>Description: the complete renovation of the entire building that is currently not habitable (originally built in 1875), the 3,576 sq. ft. building will have six fully updated one bedroom/one bathroom units; Ordinance #111-2021, Contract #15x2021-262.</i>	<u>8 years</u>	<u>\$2,025.78</u>	<u>\$16,206.27</u>
2) <u>130 East Sixth Street, LLC</u> <i>Description: designated as a historic landmark, the building will be renovated into over 15,000 sq. ft. of commercial space; including ground floor retail spaces and commercial offices on the 2nd through 6th floors. Ordinance #146-2017, Contract # 85x2018-052.</i>	<u>12 years</u>	<u>\$23,634.14</u>	<u>\$283,609.73</u>
3) <u>1410 Vine, LLC</u> <i>Description: this project renovates the basement and first floor into a new bar/restaurant, and re-design the adjacent patio into a new outdoor bar and seating area. When complete it will be an overall upgrade to an under-invested portion of the 1400 Block of Vine Street. Ordinance #274-2017, Contract #15x2021-291.</i>	<u>15 years</u>	<u>\$24,511.98</u>	<u>\$367,679.76</u>
4) <u>Broadway Square IV, LLC</u> <i>Description: the remodeling of the existing buildings, this will create 4,272 sq. ft. of commercial retail space and 15,539 sq. ft. of residential space consisting of 31 residential units. Ordinance #223-2021, Contract #25x2022-003.</i>	<u>15 years</u>	<u>\$34,965.18</u>	<u>\$524,477.65</u>
5) <u>CH KeyMark, LLC</u> <i>Description: the remodeling of the existing building into 5,200 sq. ft. of commercial restaurant space. Ordinance #134-2021, Contract # 15x2021-254.</i>	<u>15 years</u>	<u>\$5,726.22</u>	<u>\$85,893.23</u>
6) <u>JRS Interests I, LLC</u> <i>Description: the renovation of the existing structures including an old church to remove blight and create 1,600 sq. ft. of commercial office space (2 offices) and 22,000 sq. ft. of residential space (26 units). Ordinance #280-2019, Contract # 05x2020-175.</i>	<u>14 years</u>	<u>\$22,138.43</u>	<u>\$309,938.07</u>
7) <u>HNC-Flat Iron, LLC</u> <i>Description: the renovation of the iconic Mount Auburn building to create basement and street level retail/restaurant space, and 2 large full floor market rate apartments on floors 2 and 3. Ordinance #278-2019, Contract #15x2021-249.</i>	<u>12 years</u>	<u>\$3,400.65</u>	<u>\$40,807.79</u>

Ms. Hughes reported of the seven CRAs, one is for 8 years, and the others are between 12-15 years.

Committee member Bates stated she wasn't sure if it was formalized or not, but she thought the City was going to move to 8 to 10 years for the agreements, but noted that these appear to be longer.

ACTION: Ms. Hughes will follow-up with the City regarding the length of the CRAs.

Committee Chair Bolton shared that monitoring of and advocating for CRAs for projects with 2- or 3-bedroom units might be a chance to partner with the City to bring families and students back to the City.

The Committee discussed concerns regarding the spirit of the new agreement with the City not being upheld. Ms. Bolton reported that in Northside a developer, at a community meeting, actually described how he was going to get around paying what was due CPS.

Committee member Messer suggested it would be a good practice to have an annual presentation from the City's Development Director.

Mr. Messer also suggested that, in the interest of transparency, CPS should publish how much money is being lost because of the City abatements.

Committee Chair Bolton agreed and stated that it is right for CPS to have these discussions as more monitoring of the CRAs is necessary. She also mentioned that Vice Mayor Smitherman and Carol Gibbs co-chaired a Council Committee on abatements, and perhaps they should be invited to make a presentation to the Committee.

Transportation Update

Lenise Fuqua, Interim Director of Transportation, presented the following 7th and 8th Grade Analysis

7th and 8th Grade Analysis

- Routing software and excel tables were used to identify possible routes for K-8 non-public schools to link potential CPS 7th and 8th grade routes.
 - Start time and dismissal time must be in sync to allow for time to effectively transport students on each tier.
- Routing software and excel tables were used to identify the possible CPS elementary routes to link potential CPS 7th and 8th grade routes.
 - The same criteria was used.
- Linking a first tier potential 7th and 8th grade route with a second tier 7th and 8th grade route.
 - A first tier HS start time had to be early to link with a second tier HS start time.
 - Schools need to be in close proximity to each other to limit travel time required to start the next linked route.
- Vendors have identified a maximum capacity for increased (new) service to students on yellow bus for grades 7 and 8.
 - This eliminated small enrollment HS (e.g. Spencer).
 - This eliminated the large enrollment high schools (e.g., Walnut Hills High School, which would require 20 buses to implement this change.
- After careful consideration we recommend a pilot for January – June, 2022.

Potential 7th and 8th Grade Pilot

- High schools we recommend for the pilot:
 - Clark and Shroder
 - Criteria was enrollment size and location.
- Ten new buses will be needed for pilot.
- Currently UTS is the only vendor able to meet pilot requirements.
- Driver shortage is impacting vendors' ability to provide additional service.

FY 2022 Vendor Performance YTD

Year to date on time performance		On Time performance 10/11 through 10/15, 2021	
First Student	77%	First Student	86%
Petermann	66%	Petermann	73%
UTS	71%	UTS	78%
Overall	74%	Overall	81%

Cost of Service for Yellow Bus Pilot

- 2021-2022 vendor's costs:
 - UTS - \$460 per day per bus
 - Ten buses @ \$460 is \$4,600 per day
 - 90 days in 2nd semester \$414,000
- UTS has committed to increased routes and is training an adequate number of drivers at this time to meet the January start.

Committee Chair Bolton stated this effort needs to be discussed by the Board due to the cost and impact on priorities.

Future Considerations

- Identify yellow bus eligibility areas for grades 7 and 8.
 - Can students have two types of service, yellow bus and Metro?
- Assign the type of service students will be provided to avoid funding two types of service (i.e., yellow bus or Metro).
- Geographical attendance boundaries would need to be established for yellow bus service.
 - Example: If outside a reasonable attendance area what transportation service should be offered (e.g., a student who attends Shroder will need to ride Metro if he or she resides in Sayler Park or other areas of great distance)?

Committee member Messer suggested identifying a list of families that would be impacted and surveying them. This would be helpful to determine if they would use it or not and allow CPS to know the cost per student.

Committee Chair Bolton questioned the need for the pilot and what is needed to be known if this will be put in place by second semester.

Ms. Fuqua reported the Transportation Department has been trying to come up with ideas to best serve the students because the parents were so upset.

Interim Superintendent Amat stated that the pilot was pursued as a reaction to the Metro situation. She agreed with Mr. Messer that surveying the families would be a good idea.

ACTION: The Committee agreed with Mr. Messer's recommendation of conducting the survey prior to any decision being made.

Ms. Amat stated the RFP will be created with enough flexibility, but stressed that the timing is important for the vendors to get the buses and drivers needed.

Committee Chair Bolton referenced the Cropper maps that are prepared for each school with the dots showing students' residences. She suggested that these maps may give a false reading due to the special education units that are located in particular schools all across the District. She suggested it would be great to differentiate for those units on the maps, as well as for those students who are attending because their family member works in that building.

ACTION: The Administration will prepare Cropper maps differentiating on the maps the special education units and the students of staff members.

ACTION: The Administration will prepare Cropper maps using data for this school year and not last year's data as it may not have been representative or viable enough to use for immediate future planning.

Growth

Committee Chair Bolton reported that Growth was on the agenda if there was a need to discuss enrollment issues; however, the topic was already covered.

The meeting adjourned at 5:35 PM.

Finance Committee

Eve Bolton, Chair
Melanie Bates, *virtually*
Ryan Messer

Staff Liaisons

Jennifer Wagner, CFO/Treasurer
Tianay Amat, Interim Superintendent