Minutes

Board of Education of the Rocky River City School District

The Board of Education of the Rocky River City School District, Cuyahoga County, Ohio, met in a Finance Committee session on April 20, 2010 at 5:00 p.m. in Conference Room A at the Board of Education Offices.

CALL TO ORDER - 5:00 p.m. by Mr. Swartz, CHAIR

PRESENT: Ms. Goepfert, Dr. Fancher, Mr. Milano, Mrs. Rounds, Mr. Swartz

Mr. Markus reviewed and discussed the following items with the committee:

FINANCIAL SUMMARY – MARCH 2010

During March we did not receive our first half real property and public utility tangible tax settlement as was expected, but instead received it on April 14, so revenue from this settlement will be reflected on the April financial reports; hence why the large negative variances from our March MTD and YTD property tax estimates. We did, however, receive a special advance of "current" delinquent taxes (taxes paid after the January due date) in the amount of $200,919. Based on our settlement amounts received in April for real property and the related homestead and rollback credit to be received in May, we are just about even with our annual projections at this point in time taking into account the $250,000 we are estimating from delinquents to be received through a special advance of delinquent taxes in May. However, because of the earlier March delinquent advance, the May advance may be smaller than anticipated. At this point I am conservatively expecting a shortfall of $100,000 - $150,000 in that May advance, but am hoping that some additional delinquent collections are made between now and then that would bridge the gap. I have requested an updated delinquent account report and cash collected report from the County Treasurer to assess where we are at. We should be able to request a special advance of dollars in June if needed based on additional collections that may come in from delinquents after the May advance.

Regarding our other revenue sources, our state foundation aid (line 1.035) came in ever so slightly higher than anticipated for the month with our State Fiscal Stabilization Fund revenue (line 1.045) coming in a little short of the estimate. Other Revenue (line 1.060) came in significantly above estimates for the month due to timing of interest income in additional to the receipt of our 4% administrative fee for managing auxiliary funds for the private schools.

Expenditures for the month came in significantly below estimates in total for the month and for the fiscal YTD mainly due to the fact that our real property tax settlement didn't come in during March as planned, so the associated County Auditor and Treasurer fees did not hit our books yet. This will catch up with estimates in April and actually be over budget due to their fees being above budget. We also were under spent in the purchased services area as well due to continued lower than expected rates for natural gas. The overall decrease was offset a bit by the personnel line coming in over estimates for the month, but we should still end the year near our annual estimate overall.

Another major point contributing to our positive variance for the fiscal YTD was due to the fact that we have agreed to spread our contingent premium due to Medical Mutual of $752K over three months. Once we are finished paying this bill, we will actually be running moderately above estimates in the employee benefits line and, consequently, most likely in total since our contingent premium came in at $126K over our initial estimate. We owe one more payment of $250,000 that we are holding off on paying, but the plan is still to pay this by June 30. If we absolutely have to, we have the option to defer the $250,000 until July of 2010 as a measure to insure that we can accommodate any budgetary concerns if our tax collections end up below estimates and/or we have unforeseen expenditures in other areas between now and June 30.

Please reference the SM-2 Comparison Report for how our FY 10 revenue and expenditure data compare to FY 09 amounts. Total fiscal YTD revenues (excluding other financing sources) came in above the fiscal 2009 amount by 3.74% while fiscal YTD expenditures (excluding other financing sources) came in at 4.36% above the fiscal 2009 amount.

The reason our revenue was up significantly was due to the collection of property taxes based on our new 5.9 mill levy since we are now in the second half of our first full year of collection of this levy and an expected increase in our "hold harmless" payment for tangible personal property tax from the State. However, this positive percentage continued to decline from the previous month due to the timing of our real and public utility tangible property tax settlement not coming in during March as it did last year.

The main reasons our overall expenditures were up year-over-year were due to the following: 1) All salary increases for all classes of employees have now taken effect, which were made up of 2.5% in across-the-board negotiated base salary increases plus step increases for experience and education; 2) Employee benefits expenditures are up on account of salary increases as well as our expected increase in health insurance premiums due to our 15% rate increase; 3) Purchased services expenditures are up significantly due to the payment of our Lakewood career tech invoice within the fiscal year actually billed (versus deferral of this billing into the subsequent fiscal year) as was planned; and 4) Capital outlay expenditures are up based on a shifting of budgeted dollars from the supplies/materials expenditure line.

The expenditure increases were tempered by our natural gas utility expenditures being moderately lower than at this time last year. Also, the fact that we made a double-payment to Medical Mutual in July 2008 whereas we did not in July 2009 caused our employee benefits line increase to be minimized, although this continues to catch up as we are now well past the midway point of the fiscal year and this variance will only worsen as our contingent premium billing this year was significantly above last year's amount and will be reflected in the benefit and overall number if we end up paying the final installment due to Medical Mutual by June 30.

Our ending cash balance is up moderately from last year at this time ($5,766,539 vs. $6,333,196) mainly due to receiving proceeds on the new 5.9 mill levy. Encumbrances are up moderately over last year mainly due to expected increases in supplies and equipment expenditures as well as timing at this point in the year.

<u>FIVE-YEAR FORECAST UPDATE</u>

The administration continues to work on our five-year forecast update that we will provide to the full Board for their review prior to the May finance committee meeting that will be held on May 12.

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SUBURBAN HEALTH CONSORTIUM UPDATE

Mr. Tom Scurfield, independent consultant for the Suburban Health Consortium, presented a history and overview of the consortium to all present. He reviewed the structure of the group as well as details regarding the reserve buy-in and initial monthly rates if the District would decide to join the group. Mr. Markus, Dr. Shoaf and Mr. Blank also gave brief explanations of how joining the consortium would be beneficial to the District as a long-term solution to annual spikes in health insurance costs. It was decided that the administration will do additional research and communicate with the bargaining union leadership to discuss this possibility further. If the District decides to join the consortium, Board Members were advised that they would need to consider a resolution to approve the member agreement at a meeting in May in order to be accepted into the group as of July 1, 2010.

ADJOURNMENT – 6:35 p.m. by Mr. Swartz, CHAIR

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President

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Treasurer