

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 February 11, 2010 at 5:05 p.m. in Conference Room A at the Board of Education Offices.

CALL TO ORDER – 5:05 p.m. by Scott Swartz, CHAIR

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

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

Financial Summary – January 2010

During January we received the first of two regularly scheduled real estate and public utility tangible tax advances from the County. This amount came in at \$293,615 below our estimate. At this point it is too early to tell if we will come out significantly under our estimates since there could be a simple element of timing, but we'll know more once we receive our second advance on Feb. 12. We are due to receive our final settlement amount from real estate and public utility tangible property taxes in March with another special advance of delinquent taxes in May.

Regarding our other revenue sources, our state foundation aid (line 1.035) came in slightly less than anticipated for the month as did our State Fiscal Stabilization Fund revenue (line 1.045), causing a negative variance against our fiscal YTD estimates. This amount will be adjusted again in April, so I should be able to ascertain at that time if this trend will continue. Other Revenue (line 1.060) came in under estimates mainly due to timing.

Expenditures for the month came in moderately below estimates for the month and is tracking as such for the fiscal YTD with slight to significant variances within spending categories. However, the positive variance for this month and 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 since our contingent premium came in at \$126K over our initial estimate. Further, we are looking at the possibility of deferring our final installment of \$250K on this agreement until July of 2010 as a measure to insure that we can accommodate any budgetary concerns if our tax collections come in significantly below estimates and/or we have unforeseen expenditures in other areas. The plan, however, is to absorb this negative variance within this year's budget without significantly affecting other areas.

Regarding other spending categories, salaries came in slightly below our monthly estimates and pulled our negative fiscal YTD variance closer to even. The purchased services category was above estimates for the month due to a slightly larger billing from Lakewood for career tech transportation; however, there was a billing error discovered which will result in a refund of just over \$31K which we can expect to receive by the end of March from Bay Village for an error in the amount they billed us through Lakewood for transportation of our students. This will bring our fiscal YTD variance much closer to even. As you can see, we finally caught up with our supplies/materials estimates due to us settling out our textbook invoices from earlier this year, but we are still running below estimates on a fiscal YTD basis. Capital outlay continues to run moderately below estimates while the other objects category is running moderately above estimates due to increase auditor and treasurer fees from the County that we incurred back in September.

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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 10.04% while fiscal YTD expenditures (excluding other financing sources) came in at 4.48% 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.

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) Capital outlay expenditures are up based on a shifting of budgeted dollars from the supplies/materials expenditure line plus an element of timing being involved; 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) We incurred County Auditor and Treasurer fees related to our September real property settlement that were moderately above FY 09 amounts. This overall increase was 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 is starting to catch up as we are now past the midway point of the fiscal year and will only worsen as our contingent premium billing this year was significantly above last year's amount.

Our ending cash balance is up significantly from last year at this time (\$3,814,820 vs. \$2,232,013) mainly due to receiving proceeds on the new 5.9 mill levy. Encumbrances were up significantly over last year mainly due to expected increases in supplies and equipment expenditures as well as timing at this point in the year.

Tax Valuation Update

Mr. Markus shared the following tax value and tax rate data with the committee:

Type of Property	<u>TY2008/ CY2009</u>	<u>TY2009/ CY2010</u>	<u>\$ Change</u>	<u>% Change</u>	<u>% of Total</u>
					<u>Assessed Valuation</u>
Agricultural/Residential	\$613,559,460	\$580,570,000	(32,989,460)	-5.38%	81%
Commercial/Industrial	122,241,360	128,378,780	6,137,420	5.02%	18%
Public Utility Tangible	6,322,670	6,680,600	357,930	5.66%	1%
General Tangible Personal	2,325,810	-	(2,325,810)	-100.00%	0%
Totals	<u>\$744,449,300</u>	<u>\$715,629,380</u>	<u>(28,819,920)</u>	<u>-3.87%</u>	<u>100.00%</u>
New Construction (Included in totals above)	7,053,800	4,714,830	(2,338,970)	-33.16%	

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Gross Millage Rates*	<u>TY2008/ CY2009</u>	<u>TY2009/ CY2010</u>	<u>Change</u>	<u>% Change</u>
Agricultural/Residential	82.70	82.70	0.00	0.00%
Commercial/Industrial	82.70	82.70	0.00	0.00%
Public Utility Tangible	82.70	82.70	0.00	0.00%
General Tangible Personal	82.70	82.70	0.00	0.00%

* Includes 4.57 inside mills and 4.53 mills for bond retirement

Effective Millage Rates*	<u>TY2008/ CY2009</u>	<u>TY2009/ CY2010</u>	<u>Change</u>	<u>% Change</u>
Agricultural/Residential	40.82	42.33	1.51	3.70%
Commercial/Industrial	55.67	55.16	(0.51)	-0.92%
Public Utility Tangible	82.70	82.70	0.00	0.00%
General Tangible Personal	82.70	82.70	0.00	0.00%

* Includes 4.57 inside operating mills and 4.53 mills for bond retirement

The most significant change was a reduction of 5.38% in residential property due to the triennial update that took place for TY 2009/CY 2010 as we had previously discussed. Also, the phase-out of the tangible personal property was finally completed, therefore reducing our certified value to \$0, although there is still technically legacy telephone and certain railroad property still on the books being assessed for the current tax year. Additional detail behind the above changes will be made available for further review by the committee upon request.

Board of Revisions/Board of Tax Appeals Update

This information will be reviewed with Dan McIntyre, District legal counsel for tax matters, as part of the special meeting to be held later this evening.

ADJOURNMENT – 5:40 p.m. by Mr. Swartz, CHAIR

President

Treasurer