

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 Finance Committee Session on March 21, 2013 at 5:15 p.m. in the Curriculum Library at the Board of Education Offices.

Guests and visitors are requested to sign the Visitors' Register. In accordance with Bylaw 0169.1: Public Participation at Board Meetings, those wishing to address the Board are required to complete the Bylaw 0169.1 Form and submit it to the Superintendent or President of the Board prior to the start of the meeting. Thank you.

CALL TO ORDER The Finance Meeting was called to order at 5:15 p.m. by Mr. Swartz, Chair

ROLL CALL

PRESENT: Mr. Swartz, Ms. Goepfert

The Finance Committee Meeting Minutes from the February 20, 2013 were approved.

Mr. Markus reviewed and discussed following with the committee and other in attendance:

Financial Summary – February 2013

During February, we received our third and final property tax advance of \$8,544,780 which puts us about \$196K above estimates at this point in the property tax collection cycle. We are still expecting our settlement in March sometime, so we will have a much better view of how we are looking to finish the year against estimates. We will then assess our delinquent balances as we normally do at that time and assess where we may end up for the current fiscal year.

The only other item of note on the revenue side was in the All Other Operating Line (line 1.060), which came in well below the estimate for January due to timing of one-time other revenues, as well as the timing and lack of interest revenue earned during January. We are now tracking moderately below the estimate for this line on a fiscal YTD basis.

On the expenditure side, salaries came in slightly above estimates for the month and are now tracking very close to even for the fiscal YTD. Employee benefits came in moderately below estimates for the month due to a timing difference of a portion of our SERS expense that will be posted to the books in March; therefore bring the fiscal YTD variance back in line. The contracted services line was moderately above the estimates for the month. The fiscal YTD amount is still running above the estimate mainly due to the first capital lease payment on the new Chromebooks and other computer equipment recently ordered in addition to higher electricity costs at the high school. If you recall from prior months' updates, we did not have the lease payments budgeted in our forecast update from October since we were holding those purchases pending the levy outcome. Once we amend our forecast in May, we will include these semi-annual lease payments in the forecast along with funds needed to purchase new band instruments, fitness equipment and other facility upgrades not included in the construction project. Our electricity costs are still tracking above estimates mainly due to high school construction and will likely exceed the current annual estimate.

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Supplies/materials came in well below estimates for the month and are tracking that way for the fiscal YTD. The Capital Outlay line came in above the estimate for January mainly due to some interior building improvements and security system upgrades paid out of the General Fund. This line will continue to run this way until our forecast update in May due to the planned purchase of approximately \$300K in music instruments and piano refurbishing costs, as well as the new fitness equipment mentioned previously. Further, there is a planned upgrade of the gym lights for approximately \$24,000 as well as a needed upgrade of the field house boiler system in upwards of \$35,000 that we will need to absorb within our current budget. Other objects were slightly over budget for the month but are still tracking slightly under budget for the fiscal YTD. The next significant item for this line will be the county and state property tax collection fees that are assessed upon property tax and homestead and rollback credit settlement. As you are aware, we still have the potential facilities budget issue with the construction project that may cause us to need to increase that budget as we move forward through the spring, including over \$20,000 in invoices related to the cooling issues we had over the summer from a contractor error that disrupted our electricity in the Tech Room. I am still holding these bills pending an agreement with the contractor or their insurance company to pay these costs. The current plan is to hold back payment to the contractor as part of their retainage to help settle this issue. I am awaiting official reply from PCS and Mr. Blank.

Please reference the SM-2 Comparison Report for how our FY 13 revenue and expenditure data compare to FY 12 amounts. Total fiscal YTD revenues (excluding other financing sources) came in above the fiscal 2012 amount by 5.58% while total fiscal YTD expenditures (excluding other financing uses) came in above the fiscal 2012 amount by 2.01%.

The main reason our overall revenue was up year over year was due to the timing of property tax advances, the proceeds of the new 4.9 mill operating levy commencing in January and the casino tax distribution in January. This is despite the complete phase-out of the public utility and tangible personal property "hold harmless" payments from the State. The main reasons our overall expenditure amount was higher than last year was due mainly to the new capital lease payment for technology equipment, increased electricity costs, repairs and maintenance of facilities and out-of-district special education tuition payments.

Our ending cash balance ended almost right at last year's level (\$10,411,392 vs. \$10,419,194). Encumbrances came in significantly above last year's amount due in part to timing, but also due in large part to increased equipment expenditures planned due to the levy passage.

Board of Revisions/Board of Tax Appeals Update

The updated BOR/BTA reports as of February 28th as provided by Dan McIntyre were reviewed.

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Federal Sequestration and Possible Bond Refinancing Opportunity

As I mentioned to you at the Committee-of-the-Whole Meeting last week, federal sequestration affects the direct pay subsidies that we receive on our BAB and OSCB bond issues. For the upcoming June 1 interest payment, we are expecting to lose about \$51K of the \$584K scheduled payment (8.7%). Sequestration, however, allows us to consider refinancing of our bond issues, particularly the BAB issue since that issue is a 35% rebate subsidy and not near 100% like the QSCB's. I met with Rick Manoloff, District bond counsel, and Kent Cashell, our investment banker from RBC this past Monday, March 18th to discuss the possibilities further. It was determined that refunding of the BAB's is not a viable option at this point in time, but the opportunity may be there a year or more out at which time this can be reviewed again for feasibility. Mr. Markus will also meet with representatives from PNC in the near future to have them review refinancing options for a second opinion.

Citizens' Financial Advisory Committee Discussion

Mr. Swartz and Ms. Goepfert discussed the appointment of individuals to the Committee. Three individuals have been identified and are willing to serve on the committee. Mr. Swartz and Mr. Markus will work to make contact with all individuals and attempt to set up an initial meeting in April.

The meeting was adjourned by Mr. Swartz at 5:55 p.m.

Committee Chair

Treasurer