

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 January 14, 2010 at 5:05 p.m. in Conference Room A at the Board of Education Offices.

CALL TO ORDER - 5:05 p.m. by Mr. Swartz, CHAIR

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

Mr. Markus provided the following information and discussed these items with the committee and other members present:

FINANCIAL SUMMARY – DECEMBER 2009

December was a relatively quiet month on the revenue side of the ledger as we did not receive any significant tax revenue or state funds. You will notice that we posted a negative amount to the real estate tax line of (\$27,077). This was due to the required allocation of the special delinquent tax advance that we received back in October to the District's Bond Retirement Fund (Fund 002). State funding on line 1.035 as well as the state fiscal stabilization funding on line 1.045 came in very slightly under our monthly estimates due to an adjustment downward to our allocation. These amounts may again be adjusted slightly as we move forward into the second half of this fiscal year, so I will keep an eye on these amounts as we move forward. All Other Operating Revenue is still tracking under estimates due to investment income timing.

Overall, expenditures for the month came in below revised estimates by \$18K, but incurred slight to moderate variances within expenditure categories. On a fiscal YTD basis, we are tracking \$68K below expenditure estimates in total. Salaries are still tracking slightly higher than estimates on a fiscal YTD basis at this point, but are still expected to fall back closer in line with projections as we move forward in the fiscal year. Supplies and materials are still tracking significantly lower than revised estimates due to timing of final payments for our textbook order from the summer through the District's American Express Corporate Card. These amounts should be paid in full in January and will cause our positive variance to be reduced. Capital outlay continues to track under fiscal YTD estimates, which I expect to continue at this point in the year barring any significant failure of any District equipment (note: the \$25K anticipated expenditure to repair the high school elevator that was brought to your attention last month will be taken out of the District's Permanent Improvement Fund and will not be reflected here as part of our general operating expenditures). You will notice that we have a negative unencumbered balance of (\$140,129). This is mainly due to our encumbrance amount being significantly above what we had estimated and is really a function of timing since we had encumbered our career tech education payment due to Lakewood as of 12/31/09 for payment in January.

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 10.18% while fiscal YTD expenditures (excluding other financing sources) came in at 3.15% above the fiscal 2009 amount.

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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. This revenue increase percentage declined from the prior month due to the fact that last year we requested a special advance of \$1M whereas we did not have to request such an advance this year due to our improved cash situation.

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; and 3) 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 tuition and natural gas utility expenditures being moderately lower than at this time last year and supplies and materials expenses being lower due to the timing of payments for textbooks and the shifting of budgeted dollars from this area to the capital outlay area. 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 at the midway point of the fiscal year.

Our ending cash balance is up significantly from last year at this time (\$1,473,950 vs. \$54,291) 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 and the encumbering of the Lakewood career tech education billing as well as timing at this point in the year.

MEDICAL MUTUAL CONTINGENT PREMIUM UPDATE

We recently received our 2008/2009 contingent premium billing from Medical Mutual and the total came to \$752,207, which equates to 9.20% above our 100% premium. Our maximum exposure was 10% above the 100% premium. This amount added to the \$181,438 that we carried over from last year that is being paid down during the current fiscal year is \$933,645. Based on our conversations with our healthcare consultant last spring, we had estimated a total of \$807,000 in total, which is a difference of over \$126,000. Depending on how our tax collections shake out as well as our other expenditures, we may need to address this budget shortfall as early as this year by cutting in other areas or, at a minimum, addressing this shortfall in our budget planning for next year. Dr. Shoaf, Mr. Blank and I have a meeting scheduled next week with our healthcare consultant to review the billing in detail. Once we have completed that process, we will need to decide how to handle this shortfall going forward.

ALTERNATIVE TAX BUDGET DOCUMENT APPROVAL

The Board will be asked to approve our annual alternative tax budget document on this Thursday's agenda. This tax budget document is an annual requirement of ORC Section 5705.281 that requires us to show a need for the taxes that will be levied for the subsequent fiscal year. This budget does not hold us to the expenditure amounts indicated, but is simply an estimate. For the General Fund I used our current five-year forecast amounts for fiscal year 2011 including our ending encumbrance amount. I have

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attached a copy of the proposed alternative tax budget document along with a cover sheet further explaining the various schedules and their purposes.

UPDATE ON SUBURBAN HEALTH CONSORTIUM APPLICATION

I met with the Chairman of the Consortium as well as the Consortium's outside consultant just before the holidays to review the status of our application. As was expected, the Consortium has declined to invite us into the group as of now. However, they feel that our claims are trending in a positive direction and they will again look at our application (at no additional charge) in March and, if need be, in June or July to determine if we are a good candidate for membership at that time. Based on their initial review, if we were to have been involved in the Consortium as of Oct. 1, 2009 with our current enrollment, we would have realized a savings of over \$400,000 over our current rates.

BOARD OF REVISIONS/BOARD OF TAX APPEALS UPDATE

Please see the attached reports as provided by Dan McIntyre for the month-ended December 2009. Please note that at the request of Mr. Swartz, Dan will be present on Thursday, Feb. 11 for an executive session of the Board to discuss pending commercial property tax cases and some strategical points going forward.

FY 09 AUDIT

As I mentioned at the committee meeting last week, the audit field work was completed a few weeks ago and we were issued an unqualified opinion on our financial statements. I have already submitted our CAFR to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting award prior to the 12/31/09 deadline. The auditors are now finalizing their audit report and will be contacting me shortly with draft copies of that report and to schedule a post-audit conference. I will be in touch to set up a date for that meeting soon.

DISCUSSION OF SETTING UP A "RAINY DAY" FUND

Per our strategic planning finance action plan, we had adopted the following action step: *A "rainy day" fund is established and maintained to help ensure financial stability.* The committee and other members present was asked for their thoughts on how we can start up this fund in the near future given the challenging budget issues that we are dealing with. The committee agreed that further discussion on this objective, while a worthy goal, should be tabled due to our current budget situation, especially with the recent news of our medical insurance contingent premium billing exceeding budget. The committee was asked to provide additional feedback in regards to this issue within the coming months.

ADJOURNMENT – 5:33 p.m. by Mr. Swartz, CHAIR

President

Treasurer