

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 June 17, 2009 at 4:00 p.m. in Conference Room A at the Board of Education Offices.

CALL TO ORDER - 4:05 p.m. by Mr. Swartz, CHAIR

PRESENT: Mr. Swartz, Dr. Schieda (arrived at 4:25 p.m.)

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

FINANCIAL SUMMARY – MAY 2009

During the month of May we received a special advance of real property taxes from the County. This advance was a portion of the first half calendar year collections that were not distributed with the settlement back in March and was executed to assist school districts in dealing with these difficult economic times. As has been our practice the past several years, we would have requested these dollars through a special advance in June anyway. At this point, we will still request the balance of these dollars in June plus prior year delinquent collections that have been collected since the first half settlement in March. As of the latest cash collection report run for us by the County Treasurer's Office, we currently have approximately \$160,000 still available from these sources that is available for advance to us in June. My estimate for June per the attached SM-1 report is \$171,531, so we are very close to being able to cover this amount. You will be asked to approve an additional advance resolution at our June 25 meeting, from which I will request the advance immediately after that approval.

Additionally, during May I discovered that I mistakenly moved our estimate of the state's "hold harmless" tangible personal property reimbursement of \$144,866 to April in the SM-1 and SM-2 reports for April, therefore showing that the property tax allocation line for April was slightly less than anticipated when in fact it was moderately higher. I have now included the "hold harmless" reimbursement in May as it should have been reported. This definitely helps our situation as we move towards closing out the fiscal year with the positive balance that I am now anticipating.

If you look at the SM-2 report for May, you will see that all variances are now zero. This is because I have reset all of the estimates through May to actual amounts to coincide with our most recent five-year forecast update. I have plugged in estimates for June that will cause our ending balance on the SM-1 to equal our ending cash balance and unencumbered balance that was reported on the five-year forecast update in May. These estimates include the state's catastrophic aide for special education expenditures on the revenue side as well as estimating that we will pay our June health insurance premium in full during June, therefore not deferring any portion of it into FY 10. We still may end up a bit higher in the salary line depending on how our June payrolls end up (we typically process all time cards for extra duty, in-school subs and additional subs to cover for personal time used in May). This should hopefully be able to be covered, however, through a slightly higher amount received from catastrophic aid for special education costs from the State as well as reduced expenditures in the supplies and capital outlay areas.

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Please reference the SM-2 Comparison Report for how our current year revenue and expenditure data compares to this time last year. Total fiscal YTD revenues (excluding other financing sources) came in above the fiscal 2008 amount by 9.61% while fiscal YTD expenditures (excluding other financing sources) came in above estimates by 4.43% above the fiscal 2008 amount.

The reasons our revenue is up significantly is mainly due to the following: 1) We have now received three advances, settlement and the related homestead and rollback payment for the first half calendar property tax collections that included our new 5.9 mill levy passed back in March 2008; 2) real property taxes increased as the County advanced us the proceeds of our delinquent lien sale in July and the special advance we requested in June was lower than what was requested last June (\$350K vs. \$600K), therefore skewing the year-over-year comparison somewhat; 3) The property tax allocation line is up significantly since the scheduled "hold harmless" payments made by the State to compensate us for the reduction of tangible personal property have increased. However, the Tangible Personal Property Tax line has offset this somewhat due to the continued phase-out of this tax. Overall revenue is up in spite of *investment* income levels being down significantly this year vs. last year.

The main reasons that expenditures are up are as follows: 1) Scheduled base salary increases for teachers and all other staff of 2% plus step/experience increases took effect for all employees in September (personal services line); 2) the payment of our June medical insurance premium billing in July in addition to our regular July premium (employee benefits line) – without this, we would actually be below last year's levels moderately (although our actual expenditures do not account for the \$181K from our contingent premium billing that we are deferring until FY 10); 3) an increase in the amount of our utility expenditures (purchased services line); 4) an increase in the amount of payments made for out-of-district tuition (purchased service line); 5) an increase in the amount of textbooks ordered due to the restoration of the budget for this area (supplies/materials line); and 6) increased expenditure levels for equipment (capital outlay line).

Our ending cash balance is up significantly from last year at this time (\$2,986,425 vs. \$2,072,219) mainly due to receiving three property tax advances, settlement and homestead and rollback payment from our new 5.9 mill levy (despite increased expenditure levels). Encumbrances continue to be up as compared to last year at this time due to timing and increased expenditure levels, but should come back to estimates as we approach June and close many of our open purchases orders in order to close out FY 09.

ELECTRICITY AUCTION UPDATE

We received word from the Ohio Schools Council that the electricity generation rate auction results back in May were very favorable for consumers. We are still awaiting our rates, but here are some of the details of the overall effect on rates that they provided to us:

"...the PUCO approved FirstEnergy's auction results setting the rate for the generation of electricity at \$.0615 per Kilowatt hour (Kwh), including transmission, for the period from June 1, 2009 through May 31, 2011. This rate is about \$0.005 per Kwh less than the current generation rate. This action guarantees both a significantly reduced generation rate in addition to the already guaranteed 8.69% discounted rate for schools in the Energy for Education II Program.

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Even though there were 9 successful bidders who will now be supplying electricity throughout the FE territories, you will continue to be billed by FirstEnergy, Inc.

As a result of Ohio Schools Council's 8.69% school generation guaranteed discount for school buildings in the Energy for Education II Program, the price for electricity will be further reduced by about \$0.00534 per Kwh, bringing the generation price to about \$0.0562 per Kwh for the next 2 years, a very significant savings. Roy Van Allen, our Program Manager, is currently calculating exactly what the new rates will be.

Please keep in mind that as a member of OSC's Energy for Education II Program you will also receive an 8.69% discount on the cost of distribution of electricity.

These discounts on the generation and distribution were made possible as a result of your intervention through OSC in FirstEnergy's Rate Case before the PUCO. As a result of your help, we have achieved significant savings for all 249 public school districts in the Energy for Education II Program. We are very thankful to each and every person who testified, wrote letters, and/or talked to their state legislators regarding FirstEnergy's Rate Case. Together, we have been very successful.

OSC is already preparing for a new electric program which would begin after this program expires in 2011. We are very hopeful that market conditions will allow us to enter into a new prepaid electric program as we have done in the past."

BOARD OF REVISIONS/BOARD OF TAX APPEALS UPDATE

Please see the attached reports provided by Dan McIntyre for the current information regarding new filings for tax year 2008. These cases should be scheduled for hearings in the near future. I have also attached the most recent updates from Mr. McIntyre on tax years 2006 and 2007 Board of Revision decrease cases, appeals cases that have gone to the State Board of Tax Appeals and increase requests for tax year 2008.

STUDENT ACTIVITIES/ATHLETICS BUDGET UPDATE

We continue to be on track for a deficit in the 300 series student-activities funds of approximately \$30K that will need to be funded from our General Fund through a transfer at year-end. Mr. Schultz and I have met on a few occasions to discuss the student activity budget for next year so we can reasonably plan to avoid another General Fund subsidy and still fund critical areas of our student activity programs.

BUS NOTE PAYOFF AND ROLLOVER

I wanted to make you aware that in June we are scheduled to pay off a Bus Acquisition Note, Series 2008 from Charter One Bank that is due on June 23 for \$78,800 of principal and \$1,891 of interest. These amounts will be paid from the District's Permanent Improvement Fund. This covers the cost of one of the seven buses that we replaced over the last two years.

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We still have bus notes outstanding in the principal amount of \$460,000 (\$300,000 original amount from August 2007 plus an additional \$160,000 that was borrowed last August) that we will need to “roll over” prior to August 20. The plan regarding these notes is to pay down the \$460,000 starting in FY 10 so that this amount is paid off completely by August, 2015. This would result in an eight year payoff for the first \$300,000 and seven years for the additional \$160,000. This would amortize to an annual principal payment of \$65,714.29 starting August 2009 from our Permanent Improvement Fund. Given that the useful life of a bus is a *minimum* of eight years for us (and more typically 10 years) and the note structure affords us the opportunity to stretch out to 15 years, this is a reasonable payoff schedule. This planned payback schedule has allowed us to keep available additional funds in our Permanent Improvement Fund over the last two years for any significant facilities and equipment needs.

FY 10 APPROPRIATIONS

I am currently working on finalizing our FY 10 appropriations that you will be asked to approve at our June 25 regular board meeting. I am working with anticipated salary and benefits costs and all building and departmental budgets to keep appropriations for the General Fund within the total expenditure amount approved as part of our five-year forecast update in May. Because we are not receiving quite the amount of stimulus funding that was originally projected, we may come in slightly over this estimate, although I am working hard to keep within the five-year forecast projection. We are also working on setting all other funds' appropriations for approval as well. These include all federal and state grant funds, our Permanent Improvement fund, bond retirement fund, food service fund and all other special revenue funds.

STATE BUDGET UPDATE

The state education funding bill is now in conference committee between the house and senate. The latest projections we have seen show very little differences between the two versions for Rocky River. However, our state educational organizations are warning us that due to very bleak revenue forecasts that have just been downgraded again recently, they do not feel that the State can fully fund either of the two versions. Therefore, we may be looking at a loss of funds from the State, but it is too early to tell if this will happen and how much we will lose. We will continue to monitor the situation and keep you posted.

AGENDA ITEMS

All fiscal year-end items are included on the June agenda in order for us to close out the year and be in compliance with applicable budgetary law. In addition, you will be asked to approve the agreements with Medical Mutual for health insurance for next fiscal year as well as our liability, property and fleet insurance policies.

ADJOURNMENT - 4:50 p.m. by Mr. Swartz, CHAIR

President

Treasurer