

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, 2010 at 6:10 p.m. in Conference Room A at the Board of Education Offices.

CALL TO ORDER – 6:10 p.m. by Mr. Swartz, CHAIR

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

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

Financial Summary – May 2010

As I reported to you last month, we received a special advance of delinquent taxes in May. This advance, however, was only \$25,896 for the General Fund, which was well below the \$250,000 I had estimated to be received. However, we still have approximately \$230K of cash collected and sitting with the County to our credit and we also have delinquent accounts that total approximately \$255,000 that we are carrying as of April 18. We will be able to request a special advance of dollars in June if needed based on this amount already collected as well as collections that may come in from delinquents after the May advance. I am anticipating that I will ask for approximately \$200K through a special advance to be received prior to June 30.

You will see that the May and fiscal YTD estimates have been reset to actual amounts received and expended on the SM-2 in order to coincide with our May 2010 revised and updated five-year forecast. I have included estimates for June on the SM-1 report which, when taken together with the first eleven months' actual numbers, equal the total revenues and expenditures as estimated on the May, 2010 five-year forecast. One major item of note in looking ahead to June is that I have anticipated payment of the \$250K balance to Medical Mutual on our contingent premium arrangement. Further, I am anticipating a large transfer to the District-Managed Student Activity Funds (USAS Fund 300) in excess of \$80,000 along with a large transfer to the Community Education Fund as we have discussed in the past. As I close out the books for the fiscal year, I may still be able to transfer the entire \$125,000 originally budgeted to the Community Education Fund, but I would like to see where we end up cash balance-wise before I make that transfer. Per the request of Scott, I had forwarded you a multi-year comparison of the individual activities that make up the District-Managed Student Activities Fund set so that you can see the differences in revenues and expenditures for each activity between years.

Regarding our other revenue sources, we did not receive our Homestead and Rollback Credit payment from the State as of May 31 as we had expected based on our real and public utility tangible personal property settlement in April, but did finally receive it on June 9, so our May financial reports do not reflect this significant receipt. Our state foundation aid (line 1.035) came in lower than in previous months, but should finish out the year very close to estimates. Our State Fiscal Stabilization Fund revenue (line 1.045) came in a little higher than in previous months and is now tracking at a slightly higher pace. Other Revenue (line 1.060) came in below estimates for the month due to timing, but is still tracking ahead of fiscal YTD estimates.

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Expenditures for the month came back down as compared to previous months mainly due to the fact that April was a three pay month whereas May was only a two pay month. Also, our purchased services line was well below the average of the previous months since we are winding down the year and we also received a billing holiday on our natural gas billing due to the Ohio Schools Council natural gas program running a surplus at this point in the year. This was in spite of the Capital Outlay line coming in significantly higher than prior months on a percentage basis.

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 0.8% while fiscal YTD expenditures (excluding other financing sources) came in at 4.69% above the fiscal 2009 amount.

The reason our revenue was up only slightly was due to a delay in the receipt of the homestead and rollback payment from the State until June of this year versus the receipt of this payment in April of 2009. Once this payment hits our books next month, we will again show a moderate – significant increase in revenue over 2009 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. Another factor in the increase is the expected increase in our “hold harmless” payment for tangible personal property tax from the State.

The main reasons our overall expenditures were up fairly significantly 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) Capital outlay expenditures are up based on a shifting of budgeted dollars from the supplies/materials expenditure line, and; 4) Other Objects are up due to an increase in fees assessed from the County Treasurer and Auditor based on our increased property tax collections from our new operating levy as well as expenses related to the County Land Bank/Delinquent Advance program.

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 has finally caught up to us as we are now near the end 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 expenditure number when we end up paying the final installment due to Medical Mutual by June 30.

Our ending cash balance is down moderately from last year at this time (\$2,479,790 vs. \$2,986,425) mainly due to the delay of our homestead and rollback payment from the State as mentioned above. Once this timing difference corrects itself in June, our ending cash balance should be up moderately – significantly year-over-year based mainly on 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.

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FY 11 Budget

The FY 11 budget document was reviewed with those in attendance. As a refresher, it was noted that the Board appropriates at the fund level for all funds on the District's books therefore establishing the legal level of budgetary control at the fund level for the fiscal year, allowing the Treasurer to transfer appropriations within funds as needed without specific board action. This annual (permanent) appropriation measure allows the District to legally begin expending funds as of July 1, 2010. These appropriations will be amended by the Board typically on a monthly basis throughout the year as has been the past practice. The budget document contains details regarding the General Fund at the two-digit function, one-digit object level with expenditures, estimated revenues by specific revenue account along with a narrative reviewing the past fiscal year and looking forward to fiscal year 2011. The General Fund's total appropriation is equal to the total expenditures of \$31,975,861 forecasted for fiscal year 2011 and is based on the fiscal year 2010 carryover balance of \$541,770 and fiscal year 2011 estimated revenues of \$31,597,431 as contained on the most recent five-year forecast approved by the Board on May 20, 2010.

Bond Financing Plan Review Meeting

A meeting to review the recommended plan of finance for a September 1 bond issue has been set for July 8 at 8 a.m. with Rick Manoloff, Bond Counsel, and Mike Sudsina, Financial Advisor. During this meeting, Mr. Sudsina will review the types of bonds that he is recommending we issue and the projected amortization schedule. Both he and Rick will also review the intricacies of the QSCB's and BAB's since they are still relatively new types of bonds with certain restrictions and risks that bear repeating. We also have interviews scheduled for potential bond underwriting firms on Thursday, July 8 starting at approximately 10:30 a.m. The Board will also need to accept a resolution authorizing the issuance of the bonds at some point after the July 8 meeting. This can be done at our regularly scheduled July 15 meeting or can be scheduled for a special meeting sometime on or near that date if the regular meeting will be canceled. Mr. Markus will obtain some possible dates/times from Mr. Manoloff and Mr. Sudsina for this purpose and will coordinate with each Board Member to set a date for this meeting.

Review of Student Activity Fund Financial History

Mr. Swartz and Mr. Markus reviewed a historical comparison of revenues and expenditures for each student activity sub-fund so those in attendance were aware of the historical amounts prior to approving a transfer of funds from the General Fund. Mr. Markus noted that football and boys basketball have not produced the surplus of funds for the past two years that they have in the recent past therefore significantly contributing to the overall deficit. Mr. Markus also explained that going forward for fiscal year 2011, the student activity budget was initially set based upon conservative estimates of gate revenue, dues/fees, Boosters' contribution, fundraising for certain activities that have consistently fundraised in the past (e.g. instrumental music and forensics) and other ancillary revenue sources (state soccer tournament, Magnificat rental of stadium for soccer, advertising revenue). Any additional dollars to be spent above these initial budgets will be predicated upon fundraising and/or additional dues/fees and ticket revenue. Additionally, Mr. Schultz has put together a list of significant capital equipment-type expenditures (football helmets, swim lane dividers, track hurdles, etc.) and estimated state competition travel expenses that

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total approximately \$20,000 that will need to be purchased in fiscal 2011 that would not be funded by the current budget. Mr. Schultz will notify the Treasurer's Office and these items will be appropriated for as-needed throughout the year with the plan that a transfer from the General Fund will cover these needs. This area of the budget will continue to be monitored and adjusted as necessary throughout fiscal 2011.

ADJOURNMENT – 6:50 p.m. by Mr. Swartz, CHAIR

President

Treasurer