

# 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 March 25, 2010 at 6:05 p.m. in Conference Room A at the Board of Education Offices.

**CALL TO ORDER** - 6:05 p.m. by Mr. Swartz, CHAIR

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

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

### FINANCIAL SUMMARY – FEBRUARY 2010

During February we received the second of two regularly scheduled real estate and public utility tangible tax advances from the County. This amount came in very slightly above our monthly estimate, but we are still down significantly on a fiscal YTD basis. As I mentioned to you at our February finance committee meeting, we should know where we stand by mid-late March once the first half settlement is received. I can then assess our delinquent accounts to determine where we can project fiscal YTD property tax revenues. If need be, we will need to weigh our options and make some budgetary reductions/deferrals at that point. We are due to receive another special advance of delinquent taxes in May.

Regarding our other revenue sources, our state foundation aid (line 1.035) came in moderately higher than anticipated for the month with our State Fiscal Stabilization Fund revenue (line 1.045) coming in just about even with estimates. The increased state aid was due to our special education transportation component of the state aid formula coming in higher than previous months. Other Revenue (line 1.060) came in under estimates mainly due to timing and is still tracking below estimates on a fiscal YTD basis.

Expenditures for the month came in moderately above estimates in total for the month, with moderate to significant variances between spending categories. Total expenditures are still tracking below estimates for the fiscal YTD with slight to significant variances within spending categories. However, this positive variance for the 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 in the employee benefits line and, consequently, most likely in total 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 between now and June 30. The plan, however, is still to absorb this negative variance within this year's budget without significantly affecting other areas.

Regarding other spending categories, salaries came in slightly above our monthly estimates and caused our negative fiscal YTD variance to increase. The purchased services category is now running below estimates on a fiscal YTD basis and the hope is that this trend will continue. Our supplies/materials and capital outlay categories are also running below estimates on a fiscal YTD basis and should continue this trending. The other objects category is still 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 6.67% while fiscal YTD expenditures (excluding other financing sources) came in at 5.20% 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. However, this percentage declined from the previous month due to the decline in property tax collections as of now that I noted above.

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) 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 plus an element of timing being involved; 4) 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 5) We incurred County Auditor and Treasurer fees related to our September real property settlement that were moderately above FY 09 amounts.

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 is continuing to catch up as we are now past the midway point 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 number if we end up paying the final installment due to Medical Mutual by June 30.

Our ending cash balance is up significantly from last year at this time (\$8,223,917 vs. \$7,003,390) mainly due to 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 at this point in the year.

### **BOARD OF REVISIONS/BOARD OF TAX APPEALS UPDATE**

The committee reviewed the BOR/BTA reports for the month ended February 28, 2010 as provided by Dan McIntyre, District legal counsel for such matters. Also, the committee discussed Dan's ideas on what we should look at as far as a strategic plan for handling commercial tax cases going forward. It was decided that the individual board members needed to each review the points provided by Dan further on their own and bring any thoughts on those points or other to discuss at the executive session that has been scheduled with Dan at our April 14 committee meeting.

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### FIVE-YEAR FORECAST/FINANCIAL PLANNING

The finance committee was briefed on the process that the administration is currently undertaking to look at various financial scenarios in advance of our required five-year forecast update of May 31, 2010. The committee will be provided with more information at the next finance committee meeting in April and a draft five-year forecast with assumptions at that time or shortly after that meeting.

**ADJOURNMENT** - 6:40 p.m. by Mr. Swartz, CHAIR

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President

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Treasurer