



Financial Oversight Committee Meeting

1829 Denver West Dr., Building 27
Golden, CO 80401

Meeting Minutes December 5, 2017 – 10:00 a.m.

Financial Oversight Committee (FOC)

Members Present:

Brian Ballard
Mike Bestor
Mary Everson
Gordon Calahan
Chris Johnson
Scott Tarbox
Bob West

Staff Present:

Dr. Jason Glass, Superintendent
Kathleen Askelson, Chief Financial Officer
Stephanie Corbo, Finance Director
Steve Bell, Chief Operating Officer
Nicole Stewart, Budget and Treasury Director
Tim Reed, Executive Director Facilities and
Construction Management
Tom McDermott, Education Leadership
Program Resident, Superintendent's Office
Debbie Rainguet, Exec. Asst. to CFO

Committee Members and Staff Absent:

Independent Auditor and Other:

Paul Niedermuller, CliftonLarsonAllen, LLP
Haley Cox, CliftonLarsonAllen, LLP
Yoon-Sook Moon, R.W. Baird & Co.
Brad Rupert, Board of Education

Approval of Minutes: Bob West moved to approve the minutes from November 7, 2017. Mike Bestor seconded. The minutes were approved as presented.

2016/2017 Comprehensive Annual Financial Report Review with Auditors: Paul Niedermuller and Haley Cox with CliftonLarsonAllen reported on the annual audit. The presentation covered an overview of the school district environment from risk assessment and control activities to GASB changes and proposed tax and legislative changes; the scope of engagement for the annual audit; clarification on the areas within the CAFR that the auditors issue an opinion; a review of the CAFR; and an overview of the single audit process and summary of findings that identified two deficiencies which were not considered material and did not modify the opinion that was issued on each major federal program.

Niedermuller confirmed that the district received a clean, unmodified opinion on the audit with no material findings. He commended the district on their accuracy, thoroughness and collaborative efforts.

There was discussion regarding the proposed changes to Colorado PERA, how PERA liability is calculated, and potential impacts of the current funding proposals from PERA and the state. Niedermuller noted that the biggest potential impacts to the district are for capital investment and PERA liability.

Bond Refunding Update: Moon with Robert W. Baird & Co. updated the committee on changes in market climate related to the bond refunding with regard to rate fluctuations and potential estimated savings. There was discussion regarding the district's debt policy as it relates to savings thresholds, potential elimination of the refunding option due to proposed tax legislation and options for and timing of closing the bond refunding.

Chris Johnson moved to recommend that the district refund every issue that provides any savings for the district. West seconded. The motion carried unanimously. The committee will communicate their support for the refunding to the Board of Education.

2018/2019 Budget Development Status Update: Nicole Stewart reported on the status of school carry forward amounts after an analysis of surveys from schools as to how the funds will be used. She noted three main reasons for the carry forward amounts including fluctuating enrollments, cost of 1:1 device initiative, and opportunities for innovative programming. The district is updating guidelines to assist schools with planning tools for enrollment fluctuations that will help alleviate concerns and eliminate the tendency for schools to be too conservative. Budget staff will work directly with achievement directors and school leadership and continue to monitor the funds. With regard to the 1:1 device, budget staff is working with schools to get firm projections for more accurate budgeting. Budget staff is teaming with the chief of schools and school leadership on innovation programming to understand the timeline and expectations and feels confident that they can provide the tools to support the process.

There was discussion regarding the amounts schools receive through student based budgeting (SBB). Stewart discussed the factors that were in place for 2017/2018 based on size, at risk (free and reduced), and alternative pathways. Staff pointed out that the breakdown is published on page 28 of the budget book and noted that the factors for development of the 2018/2019 will be communicated in January.

Kathleen Askelson commented on two items that are being discussed with the Board for possible funding from the district's fund balance for 2017/2018 including establishment of an innovation fund and three middle school additions.

Tom McDermott presented an overview of a proposed plan to establish an innovation fund in FY 2017/2018. The purpose of the fund is to leverage the entrepreneurial spirit of Jeffco educators to capitalize on talent and ideas from schools and other stakeholders. The process would include an application and review process for funding requests resulting in an award of initial start-up funding. The start-up funding would come from the proposed innovation fund with on-going funding sustained through SBB. There was discussion regarding the timing for the request, the rubric for determining what qualifies for innovation funding, how the programming would align with SBB, and how results would be tracked.

Tim Reed updated the committee on the status of facilities projects that have been undertaken in support of the K-5, 6-8 reconfiguration including construction at Dunstan and Drake. In further support of the Board's decision to transition to a K-5, 6-8 model, staff presented an overview of proposed additions at three middle schools that would use FY 2017/2018 general fund reserves. The estimated costs for the additions include Creighton \$4 million, Ken Caryl \$6 million and Summit Ridge \$4 million.

There was discussion regarding the facility condition index rankings at each school, which Reed noted are under 18% and well below the 60-65% ranking that would indicate a facility should be replaced. Other discussion included the status of temporaries, seating capacity, and timing to meet capacity needs for 2018/2019.

Askelson presented a 4-year history of general fund reserves that included a break down showing unassigned reserves and the impact to unassigned reserves should the Board consider funding the innovation fund and three middle school additions using FY 2017/2018 reserves. There was discussion regarding the use of reserves which would require Board approval for a supplemental appropriation that staff will present in January. Askelson confirmed that the potential use of reserves for these purposes was disclosed as part of the current ratings review and preliminary indication was that use of reserves

should not impact the district's ratings. Staff indicated that the estimate for potential savings from retirement and turnover for FY 2017/2018 will be available in January.

There was additional discussion regarding competing resources for facilities' needs to support the school grade reconfiguration, other ongoing facility needs and new initiatives; use of reserves; and possibility of a future ballot issue.

Bob West made a motion to support the use of reserves to fund an innovation start-up fund and the facility additions at the three middle schools as long as unassigned reserves remains within the recommended range of 8 to 16 percent. Gordon Calahan seconded. The motion carried unanimously.

There was further discussion regarding funding estimates from the state, support for and timing of a future ballot issue, and a plan for community outreach.

Facilities Update/Budget Plan for General Fund Transfer for 2018/2019: Reed updated the committee on background that supports an increase to the annual transfer from the General Fund to Capital Fund beginning for FY 2018/2019. Information included a real estate portfolio overview covering a five year 2012-2017 comparison of improvements, portfolio value, deficiencies, portfolio condition index known as FCI and the amount of the annual capital transfer. There was additional discussion regarding cost reduction strategies that will require additional capital for modular building demolition, LED lighting and energy savings measures, modifications of irrigated areas to xeriscaping, underground infrastructure improvements and investments to reduce maintenance and operational expenses.

Reed reviewed the breakdown of the 2017/2018 capital budget showing highest expenditures for facility improvements, Dunstan and Drake additions and new construction at Three Creeks and Sierra. Other background included a breakdown of the utility budget, maintenance and operations costs per square foot, and the facilities department budget with the majority going to custodial, utilities, and building and site maintenance. Staff is recommending an increase to the capital transfer amount and will continue to provide updates as the budget process continues for 2018/2019.

There was discussion regarding funding needs, use of visuals to communicate the message, tradeoffs and sacrifices that the district had made to continue to operate effectively and efficiently, development of a communication plan, the need for more metrics/analysis and background to address myths in the community and comparisons to other districts, and utilization of the FOC for outreach to community. The committee will continue discussion about their role at the January meeting.

Audit Committee Update: West reported on the December 4 Audit Committee meeting noting that discussion included an update on first quarter financial status and a review of the annual audit and CAFR with auditors from CliftonLarsonAllen. West reported on discussion that included fraud risk, internet security and district data privacy, and data security control. The Audit Committee will meet with the information technology department in February with regard to district controls for identifying and mitigating internet risk.

Jeffco Generations Dialogue: This item will be covered at the January meeting.

Report to the BOE: Ballard will circulate the FOC Conclusions and Recommendations on the bond refunding and use of reserves to fund innovation and the three middle school additions in time to attach to the agenda items for Thursday's Board of Education meeting.

Wrap Up and Next Meetings: There was discussion regarding the date for the January meeting. Staff will check options, and, if possible, reschedule for Tuesday, January 9. Items to be covered in January include Jeffco Generations, a budget update and historical reductions/restorations.

The meeting was adjourned at noon.