



# Financial Oversight Committee Meeting

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

## Meeting Minutes February 8, 2017

### Financial Oversight Committee

#### Members Present:

Brian Ballard  
Mike Bestor  
Mary Everson  
Scott Tarbox  
Bob West

#### Committee Members and Staff Absent:

Gordon Calahan  
Chris Johnson  
Dan McMinimee, Superintendent

#### Staff Present:

Kathleen Askelson, Chief Financial Officer  
Stephanie Corbo, Finance Director  
Steve Bell, Chief Operating Officer  
Nicole Stewart, Budget & Analysis Manager  
Suzi Thompson, Treasury & Analysis Manager  
Amy Weber, Chief Human Resources Officer  
Tim Reed, Executive Director-Facilities

#### Independent Auditor and Other:

Paul Niedermuller, CliftonLarsonAllen, LLP  
Amanda Stevens, Board of Education Member

**Approval of December 7, 2016, Minutes:** Scott Tarbox moved to approve the minutes from December 7, 2016. Mary Everson seconded. The motion carried unanimously.

**Comprehensive Annual Financial Report Follow-up:** No further discussion was required.

**Second Quarter Financial Report:** Stephanie Corbo presented an overview of the quarterly financial report for the period ending December 31, 2016. She confirmed that the district has sufficient cash on hand to cover expenditures prior to receipt of property tax revenue in the spring with no anticipated need for a line of credit. Highlights of the discussion included an update on the timing for spend down of the building fund by May; confirmation that general fund expenditures and revenue estimates are trending as expected; acknowledgement that Transportation Fund revenue is lower than previous year due to less state transportation revenue, and confirmation that the Food Services Fund is performing well with revenue slightly higher than previous year. Also noted was an increase in revenue in the Child Care Fund due to tuition increases and new programs and an increase from prior year in revenue in the Property Management Fund due to fees for building use and rental income. Corbo pointed out that, due to a rebate in the last fiscal year, revenues in the Insurance Benefits Fund appear lower compared to prior year. Claims losses are running higher than prior year due to timing of two property claims but reserves in the Insurance Reserve Fund are adequate for claims coverage.

There was discussion regarding unfilled vacancies districtwide and in technology. Corbo advised that all charter schools had positive cash balances. She confirmed that the excess cost rate was approved for Rocky Mountain Deaf School and that Addenbrooke issued debt of \$18M, Excel Academy refinanced their debt of \$5.5M, and Lincoln issued a promissory note for \$1.4M. She explained that Doral has a positive cash balance, despite a lower than expected enrollment, due to receipt of the CCSP start up grant, agreements to waive fees from Academica and their technology company, and a loan through Doral's foundation. Askelson clarified that all district charter schools are funded quarterly through a

direct journal adjustment, except for Golden View, who exited the district's system and receives a monthly ACH. Mill levy funding is fronted by the district and paid quarterly as part of the ACH, except for Golden View Classical Academy who receives their funding in the spring after receipt of property tax revenue. Items on the radar include facilities, hiring and staffing, healthcare reform and the 2017/2018 budget.

Paul Niedermuller with the independent auditing firm of CliftonLarsonAllen reviewed the report on applying agreed-upon procedures. Two areas of note included: (1) awareness that the Building/Capital Projects Fund and Property Management Fund may require a supplemental appropriation; and (2) the yellow flag status for Rocky Mountain Academy Evergreen was assigned due to a planned spend down of their reserves and concerns that they will need to add enrollment or reduce expenses in order to right size their budget. Niedermuller confirmed that the district followed-up to address an incident of wire transfer fraud by providing additional training and increasing awareness of internal control policies for the processing of wire transfers. There was discussion of increasing incidents of wire transfer fraud in the financial sector, the importance of thorough due diligence, and the need to stay one step ahead as the scams are becoming more sophisticated and opportunities have increased with the availability of information as a result of financial transparency requirements. Also discussed was Rocky Mountain Academy Evergreen with regard to the status of their board, how the district is monitoring their budget, and the impact to the school's bond rating due to not being in compliance.

**Compensation Update:** Amy Weber updated the committee with a summary of negotiations for 2017 and an overview of compensation issues facing the district. Highlights of the discussion included compensation targets and timing, the challenges the district faces in being competitive in the marketplace, a context for compensation and hiring with a look at unemployment rates and the Consumer Price Index, and how Jeffco dollars could be repurposed to identify funds to be used for employee compensation. Weber presented examples illustrating the salary history of various positions, comparisons of Jeffco salaries with surrounding districts, and a look at benefit costs as a percentage of employee paychecks at various levels. There was discussion regarding impacts to achievement of unfilled positions and absences, market competitiveness, and strategic pockets of focus to address teacher retention and flight risk.

**2017/2018 Budget Development Update:** Askelson stepped through the budget update that was presented to the Board of Education on January 26, 2017. Highlights of the presentation included the accelerated timing for identifying compensation dollars to align with the timing of negotiations and the hiring season. Askelson presented four funding scenarios and the associated repurposing and reductions that may be necessary depending on final funding from the state. There was discussion regarding the recommendations from district leadership for phased reductions/reallocations and the use of one-time funds possibly from reserves to help with facilities. Askelson noted that presentation of the proposed budget is scheduled for late April with final adoption in May and clarified the timing for providing advice to the Board for initial direction by February 9 and for final direction prior to the March 16 Board of Education meeting.

There was additional discussion regarding the recommended phased reductions, the Board's desire and leadership efforts to keep impacts of reductions or reallocations away from students, and awareness of dwindling options if the worse-case funding scenario becomes reality.

**Facilities/School Closure Update:** Steve Bell discussed the school closure recommendations and reviewed background on and current use of the Facilities Master Plan (FMP). Bell clarified that the FMP is updated annually to adjust for constantly changing demographics, efficiencies, growth, matriculation in grade patterns and capital infusion. He clarified that school closures are not being considered to pay

teachers but that implementation of the FMP helps the district manage resources that can be used to help address compensation challenges. He emphasized that although outcomes of the plan change, the drivers behind the plan remain the same. There was discussion regarding the impact of the decision to implement the K-5/6-8 model on school closures and the matrix used to evaluate facility conditions. Tim Reed presented an overview of closure criteria and information on building condition, costs for maintenance/operation, life cycle, enrollment, capacity, site constraints, utilization, choice in/out percentages and relocation logistics for proposed closures of the five elementary schools: Peck, Pennington, Pleasant View, Stober and Swanson as well as the proposed relocation of Long View High School. Bell also commented on capital needs and challenges and other options that the district may need to consider such as additional temps, extended days, year-round days and split sessions if implementation of the FMP can't be addressed or additional capital funding does not become available.

Following discussion, the Financial Oversight Committee (FOC) recommends that the Board consider use of one-time dollars from reserves to address the current budgetary needs of the district. While the use of reserves is most appropriate for capital expenditures, the FOC also recognizes the need for flexibility in the use of reserves as determined by the Board. The FOC also recommends maintaining reserve balances at or above the 8% level on an unassigned basis per Government Finance Officers Association best practices.

Staff will communicate the advice from FOC to the Board prior to the February 9 meeting.

**Wrap Up and Next Meetings:** There was discussion regarding the recommendation by staff to discontinue, for cost savings, the quarterly agreed-upon procedures reports from the independent auditor. FOC members confirmed that there are no concerns with discontinuing the quarterly reviews.

Askelson invited members of the FOC to attend the February 16, 2017, Board of Education meeting for the presentation of the Second Quarter Financial Report and dialogue with the Board. The next FOC meeting is scheduled for Wednesday, March 1, 2017.

The meeting was adjourned at 1:50 p.m.