



Financial Oversight Committee Meeting

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

Meeting Minutes

March 5, 2019 – 10:00 a.m.

Financial Oversight Committee (FOC)

Members Present:

Brian Ballard
Mike Bestor
Gordon Calahan
Mary Everson
Scott Tarbox

Committee Members and Staff Absent:

Bob West

Staff Present:

Dr. Jason Glass, Superintendent
Kathleen Askelson, Chief Financial Officer
Steve Bell, Chief Operating Officer
Nicole Stewart, Director, Budget and Treasury
Stephanie Corbo, Director, Finance
Debbie Rainguet, Exec. Assist. to CFO

Independent Auditor and Other:

Paul Niedermuller, CliftonLarsonAllen, LLP

Welcome and Introductions: Brian Ballard declared a quorum.

Approval of the Minutes: Scott Tarbox moved to approve the minutes for February 5, 2019. Mary Everson seconded. The motion carried unanimously, and the minutes were approved as presented.

Committee Vacancies – Application Process: Kathleen Askelson announced that Bob West advised he will be retiring from the committee at the end of June; thus the committee will be filling two vacancies. She reviewed the timeline for announcement of the application process for filling district advisory committee vacancies. There was discussion regarding vetting of the candidates, how the announcement will be publicized, and how current members will be involved with the process. Staff will provide the committee with information and links to share with potential applicants once the application process opens.

Audit Committee Update: Askelson provided a recap of the February Audit Committee meeting. Highlights included the independent audit update for second quarter, a semi-annual review by the internal auditor, discussion regarding risk mitigation and heightened awareness of possible fraud and scams due to passage of the 5B Bond, and approval of the draft annual report from Audit Committee to the Board of Education (BOE).

Budget Update – 2018/2019 Update, Negotiations/Compensation Update, State Forecast and 2019/2020

Assumption: Askelson presented an update on the current year budget, 2019/2020 budget development including negotiations and compensation update and status of the state legislative session. She reviewed the presentation that will be presented to the Board at the March 7 meeting and noted that detailed documents are available on BoardDocs including the presentation, a memo with narrative regarding the presentation, a spreadsheet of Cabinet recommendations with supporting Budgeting for Outcomes (BFO) forms, and a spreadsheet of funding requests for the 5A mill levy override funds along with supporting BFO forms. Askelson confirmed that staff will be looking for early direction on budget priorities from the Board at the March 7 meeting so that the budget team can begin building the budget through April for the proposed budget presentation at the May 2 BOE meeting.

Askelson discussed the current year budget and pointed out that the loss of student enrollment was greater than planned with a decline of approximately 339 students, after the 5 year averaging by the state. The

district also had a decline in free and reduced lunch students. In addition, the district is experiencing higher than planned utilities costs. Askelson pointed out that current year budget to actuals is tight and with underspend lower than past years and the need to cover the enrollment decline and increased utilities costs, staff is urging caution as they continue to monitor the budget.

There was discussion regarding declining enrollment across the district, enrollment growth in the north area, and status of enrollment projections report from facilities.

Askelson reported on the status of negotiations noting that JCEA agreed to a 2.67 percent increase for educators to be paid out as a lump sum payment on March paychecks to backfill 8 months of earnings increase through March 15 with an ongoing 2.67 percent pay increase as a result of the salary schedule adjustment beginning on the March checks. JCAA isn't negotiated but generally follows the JCEA agreement with possible slight variations. JESPA reached a similar agreement with the decision to do a flat payout in lieu of an ongoing salary increase for the current school year to be paid in three tiers based on the number of hours an employee works: \$800 for .75 and above; \$300 for .5 and below; and \$400 for everyone in between.

She advised that a general fund supplemental appropriation to authorize spending \$15 million of 5A funds for compensation per the MOUs will be presented to the Board at the March 7 meeting. Askelson clarified that other funds impacted by compensation may need a supplemental, including grants, but that the funds will be appropriated at a later date.

There was discussion regarding the impact of the 5A funds for compensation on the district's ability to be competitive with surrounding districts. Askelson commented that it helped but that some districts still have higher starting salaries than Jeffco.

Askelson stepped through the 2019/2020 budget portion of the presentation. She discussed an overview of assumptions surrounding state funding, estimated inflation and the amount the state is willing to commit to buy down the budget stabilization factor. The presentation touched on estimated per pupil funding for Jeffco, estimated state funding after the pass through to charters/preschool/innovation schools, and estimated loss of enrollment and savings from retirement/turnover. She clarified that staff is not including an assumption for funding full day kindergarten at this time due to lack of information from the state. She noted that expenditure assumptions include PERA, full day kindergarten and competing state needs, compensation for steps/lanes/quartiles and 1 percent cost of living, and possible costs for staff impacted during recession. Recommendations from the District Accountability Committee will be presented to the Board on March 7 which will include feedback from school level accountability committees for school based budgeting, mental health/behavioral support, support for the District Unified Improvement Plan (DUIP) and support for Family School Community Partnership. Askelson discussed the detailed spreadsheet of recommendations from Cabinet for the annual budget process that includes must do and should do priorities. Askelson pointed out that with very limited new funding anticipated for 2019/2020 and the cost to fund the mandated PERA change and compensation increase, the recommendation at this time is to fund the \$1.5 million for mandated "must dos" from the Cabinet recommendations which are mostly house-keeping related. She confirmed that due to limited funding, the \$1.5 million does not include a cost of living compensation increase assumption. There was discussion regarding how the outdoor lab school is funded.

Askelson commented on the parallel budget process for tracking 5A mill levy override funds. She presented an overview of recommended uses of the 5A funds per the categories in the ballot language and noted the recommendations are the same as previously presented. There was discussion regarding how 5A carryforward funds from 2018/2019 will be spent in 2019/2020. The final portion of the presentation provided an overview of combined expenditure assumptions for the annual process and the 5A process for an estimated grand total for new revenue of \$48.5 million and potential expenditure estimate of \$46.3 million.

There was discussion regarding the use of 5A carryforward funds from 2018/2019 to offset planned expenditures for 2019/2020. Askelson clarified that carryforward is not considered a revenue source thus it is not included in the revenue assumption, similar to how retirement and turnover savings is not considered a revenue source.

Askelson noted that next steps include ongoing negotiations and initial Board direction for the proposed budget. Following the March 7 meeting with Board direction, staff will begin building the budget in preparation of the proposed budget presentation to the Board on May 2. She noted that two community budget forums are planned for April 1 and 2. She further commented on the uncertainty from the state and confirmed that the nothing is final until the legislative session ends in May.

There was additional discussion on use of 5B bond funds. Askelson noted that expenditures to date are approximately \$13 million which were used to pay off or pay down debt for four charter schools – Woodrow, Rocky Mountain Academy of Evergreen, Two Roads and Compass Montessori Golden.

Status of Bond Proceeds Investment: Askelson updated the committee on the status of bond proceeds funds noting that the funds continue to be held at CSafe. She confirmed that the district did not move forward with the repurchase agreement through Causey Demgen and Moore (CDM) due to noncompetitive rates. The district is continuing to monitor and explore other options. Currently the district is looking into a forward delivery agreement through CDM that appears to have favorable yields. Staff is analyzing whether that type of agreement can accommodate the district's cash draw requirements.

FTE and Enrollment Analysis: Nicole Stewart presented a revised Full-time Equivalent District Employees by Category with Hourly FTE's Report that is published on page 137 of the Comprehensive Annual Financial Report (CAFR). She noted that following discussion at the last meeting, staff determined that charter schools had inadvertently been included in the report for 2018 which was not consistent with past practices, thus the counts compared to previous years were higher than actual. The revised report, after backing out the charters, eliminates the incorrect increase in FTE and reflects counts in line with previous years. Askelson noted that the statistics section of the CAFR is not audited thus there is no change to the district's audited results. She clarified that because charters do not use the district's position control system the information they submit for payment does not align with the district's reporting and that charter schools do should their own FTE reports. Stewart clarified that the report reflects actuals at a point in time.

There was discussion regarding administration staffing levels and a recent article that confirmed Jeffco is not top heavy with fewer administrators than statewide averages.

FOC Conclusions/Recommendations: There was discussion regarding the inability to fund an additional \$1 million increase in the capital transfer amount for 2019/2020 due to limited new funding and confirmation that Cabinet recommendations for potential new funding will be used for compensation and to cover the Must Do requests identified by Cabinet. The committee confirmed that because it has already made a recommendation on reserves and on use of 5A funds, no further recommendations will be communicated at this time.

Wrap Up and Next Meetings: Askelson confirmed that the budget update will be presented to the Board at the March 7 BOE meeting and that no budget or finance related items are scheduled for the March 13 study session or April meetings but could be added if needed. The next FOC meeting is scheduled for April 5.

The meeting adjourned at 10:50 a.m.