Financial Oversight Committee Meeting

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

Meeting Minutes

February 4, 2020 – 10:00 a.m.

Financial Oversight Committee (FOC) Members Present:
Brian Ballard
Gordon Calahan
Leanne Emm
Mary Everson
Kyla Jones
Scott Tarbox

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

Committee Members and Staff Absent:
Mike Bestor

Independent Auditor and Other:
Paul Niedermuller, CliftonLarsonAllen, LLP

Welcome and Introductions: A quorum was declared.

Approval of the Minutes: Scott Tarbox moved to approve the minutes for December 3, 2019. Kyla Jones seconded. The motion carried unanimously and the minutes were approved as presented.

Second Quarter Financial Report and Audit Report: Paul Niedermuller, an independent auditor with the audit firm of CliftonLarsonAllen (CLA), reviewed the agreed-upon procedures (AUP) for performing a review of the district's quarterly financial reports and associated findings. He noted that at the time of the AUP report the district's legal counsel had not submitted a response but that a response was received with no disclosures. Niedermuller pointed out those funds that based on trends were over budget or projected to be over budget as of June 30, 2020, noting that some variances are attributable to timing of expenditures and receipt of revenues. He advised that management confirmed that changes to internal controls were made as a result of the finding from the single audit where a subscription service expenditure was not captured as a prepaid expense; however, CLA will verify and comment on this as part of the annual audit for the year ending June 30, 2020. Other highlights included acknowledgement that the Food and Nutrition Services Fund and the Central Service Fund were both yellow flagged.

Stephanie Corbo stepped through the second quarter financial report. Highlights of the presentation included information on and rationale for the yellow flag status of the Food Services Fund and the Central Services Fund, proposed legislative rule changes regarding federal school lunch program, and findings of the Food and Nutrition Services task force.

Dr. Glass summarized the overall findings of the Food and Nutrition Services task force that was presented to the Board of Education in December that focused on facility design changes to restore scratch cooking and add a central kitchen; addition of salad bars; sustainable practices in areas of food waste and reusable and compostable materials; and recommendations around lunch time changes. He noted that the Board will hear more about time issues at the February 5 BOE meeting. Askelson clarified that the focus of the task force was not on balancing the fund but rather long term solutions to assure sustainability. There was discussion regarding proposed changes to federal meal requirements.

Corbo reviewed the Central Service Fund. There was discussion regarding the rollout of the PaperCut print management system and the lack of clarity as to whether a cost study was conducted prior to implementation that would have demonstrated a potential cost savings that would have justified the system change. Also discussed were potential adjustments to the printing rate, cost of materials adjustments, demonstrated savings at the school level, and continued monitoring of the overall system to determine if the system will result in savings. Corbo noted that overall the fund is operating per plan due to cost savings in other areas of the fund and staff is continuing to monitor.

Corbo walked through the other funds which are all operating per plan. She touched on a few highlights including timing of revenue and the June interest payment in the Debt Service Fund; the sale of the Hoyt property in the Capital Reserve Fund; project expenditure timing and monitoring of Arbitrage in the Building Fund; grant timing and expenditures due to the compensation increase; timing of diesel and propane bus purchases in the Transportation Fund; increased revenue from tuition increases and expenditure increases due to compensation and programs in the Child Care Fund; increased revenue overall in the Property Management Fund despite loss of two church rentals at two schools and fewer sports rentals in Conifer; a planned spenddown in the Employee Benefits Fund; increased premium costs and workman's compensation changes in the Insurance Reserve Fund; and an increase in E-rate funding that is driving revenue up in the Technology Fund. Comments on the Charter Fund touched on all schools ending the quarter with positive cash flow, a recap of their expenditures from 5B funds, and status of Colorado Department of Education's (CDE) approval of the daily tuition rate billing for the Rocky Mountain Deaf School.

There was further discussion regarding workman's compensation claims and employee safety training, lower revenue for the Rocky Mountain Deaf School due to timing of CDE's approval of the daily tuition rate, and timing as to why the district is required per statute to pay charter schools their per pupil funding up front despite the fact that funds aren't received by the district until receipt of property tax revenue in the spring.

Corbo walked through the topics identified "On the Radar" which included status of facilities projects and the 2020/2021 budget development.

There was discussion regarding specific ownership tax revenue compared to last year, past issues with receiving property tax revenue and how the district is monitoring to assure payments are accurate; enrollment changes, estimates and projections; refined estimates to account for impacts of enrollment for funded full day kindergarteners; and considerations for school closures based on community values, logistics, and cost efficiencies.

Budget Update—2019/2020 Status and 2020/2021 Budget Development and Recommendations for the Board: Askelson shared the budget update that will be presented to the Board on February 5. Highlights included assumptions for the 2020/2021 budget based on the Governor's Proposal with 1.9 percent inflation, student growth statewide by 1,132 students, and a $52M buy down, or decrease, of the budget stabilization (BS) factor statewide. Askelson noted that the bill for the School Finance Act has not been submitted so the buy down amount could change. The change from 1.7 to 1.9 percent inflation adds $1.3 million for the district; thus the adjusted state funding for Jeffco is estimated to be $15.2M. Estimated expenditure assumptions include $17 million to fund steps, lanes and quartiles; $6.3 million per 1 percent cost of living adjustment (COLA); and $2.6 million for the mandated employer share for PERA. She noted that no cost estimates for recommendations from the District Accountability Committee (DAC) or school and district leadership have been included at this time. The district is estimating a revenue decrease for a 350 student enrollment drop. Staff initially was directed to provide recommendations for $10 million in reductions but with an anticipated increase in funding due to the tick up in inflation and estimated buy down of the BS factor, the reduction target was reduced to $5 million.

Askelson reviewed factual answers and clarifications to assist the Board with addressing some common comments and questions that circulate in the community including: (1) The district is administrative heavy; (2) The district isn't transparent with its finances; (3) The district has excessive fund balance; (4) The district has a billion dollar budget; (5) Marijuana money fixed everything for K-12 education; (6) My property tax bill increased so the district has more money this year; and (7) The district has more new money from the state each year, why is there a problem. Resources and information were provided to clarify why these statements aren't true. There was discussion regarding the tone and language in the presentation. Staff will make modifications based on the committee's input.

Key areas of discussion included reserves and how best to communicate that the district reserves are at a safe and responsible level but not excessive and within best practice recommendations; clarification as to why the district focuses on the General Fund to eliminate double counting of funds due to internal transfers and appropriation requirements per statute that some citizens mistakenly assume can all be added together to assume a $1 billion budget; the complexity of funding for K-12 education from marijuana money; and the misconception that an increase in property tax results in more money for schools which is not accurate since the per pupil funding amount is set by the School Finance Act (SFA) and the increase in property tax only reduces the amount the state has to backfill to meet the amount set by the SFA.

There was discussion regarding the amount of information in the quarterly reports and other district publications and communications. Askelson clarified that although some information is required other information that goes into the quarterly reports has been driven over time by requests from the committee and Board members. She noted that the report can be modified if the information is not useful or required based on best practices. As an example, she pointed out that the variance analysis is not required and could be eliminated. Askelson referred members to the *Dollars & Sense* publication noting that it is designed to provide a summary of the district's annual budget.

Discussion continued about how finance information is communicated to the Board with a suggestion that the Board have its own dashboard to include quick overview of key information such as enrollment, where the $1 billion goes, total square footage, and etc. all as summary information with detail behind it.

Following a question, staff clarified how school resource officers (SROs) are funded noting that the district has 35 SROs from several local and county jurisdictions and that currently our district does not share in the funding.

Employee Negotiations Status: Askelson reported that negotiations with employee associations will begin in late February with targeted completion in May. She noted that the educators group, Jefferson County Education Association (JCEA), is an interest-based bargaining that will focus on topics that serve the organization as whole and that the support group, Jeffco Education Support Professionals Association (JESPA), will focus on small refinements this year since a full contract was negotiated last year. The meetings will begin with topical discussions and dig deeper into financials in late spring.

Audit Committee Recap from December Meeting: Leanne Emm reported on the December Audit Committee meeting noting that the focus was on the first quarter financial report and auditor review with a deep dive into the Comprehensive Annual Financial Report and discussion in detail regarding pension liability calculations and reporting.

FOC Conclusions/Recommendations: Following discussion of status of 5A funds, potential budget reductions, enrollment estimates, and status of reserves, the committee did not have anything to communicate to the BOE at this time.

Wrap Up and Next Meetings: Askelson advised that the Second Quarter Financial Report will be discussed at the BOE study session on February 5. Members confirmed that they are unable to attend the BOE meeting. The next committee meeting is Tuesday, March 3

The meeting adjourned at 11:57 a.m.