



Financial Oversight Committee Meeting

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

Meeting Minutes **September 3, 2019 – 10:00 a.m.**

Financial Oversight Committee (FOC)

Members Present:

Brian Ballard
Gordon Calahan
Leann Emm
Mary Everson
Kyla Jones
Scott Tarbox

Committee Members and Staff Absent:

Mike Bestor
Dr. Jason Glass, Superintendent

Staff Present:

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

Independent Auditor and Other:

Dylan Garrison, CliftonLarsonAllen, LLP

Welcome and Introductions: Brian Ballard declared a quorum. There were introductions.

Approval of the Minutes: Scott Tarbox moved to approve the minutes for August 6, 2019. Mary Everson seconded.

Election of Chair/Audit Committee Appointment: Following discussion, Everson moved to appoint Leanne Emm to the Audit Committee as the representative from Financial Oversight Committee for one year. Tarbox seconded. The motion carried unanimously.

There was discussion regarding the chair position. Everson moved to nominate Brian Ballard to continue as Chair for the 2019/2020 school year. Tarbox seconded. The motion carried with 5 ayes; Ballard abstained from voting.

2019/2020 Budget Updates – Negotiations, Revised Budget, 5A MLO Financial Summary, and Cash

Forecast: Kathleen Askelson shared a presentation on budget updates that will be presented to the Board on September 5. Askelson noted that should the Board wish to move forward with the revised budget, staff will bring the appropriate resolutions for the consent agenda on October 10. Highlights included a recap of assumptions in the current adopted budget, proposed revisions to the 2019/2020 Adopted Budget, activity over the summer from monitoring of property tax revenues and analysis of salary and benefits to an update on the outcome of negotiations and end of year work to prepare for the annual audit.

Askelson discussed items that needed to be addressed to resolve and fund revised assumptions for the 2019/2020 budget. She advised that the assumption in the current Adopted Budget to use \$3.5M from reserves would not be necessary because fiscal year 2018/2019 ended with sufficient underspend that could be reallocated to cover the \$3.5M previously budgeted to come from reserves. Staff was tasked to find \$9M to fulfill the agreement with employee associations for a 1 percent COLA and \$3M in longevity pay as well as to provide \$368,000 in funding for additional planning time for K-8 schools to address CMAS results. After close review of estimated revenues from specific ownership taxes (SOT) and interest both

came in higher than anticipated, thus estimates for 2019/2020 were adjusted and reallocated to cover the remainder of the \$9M. There was discussion regarding caution surrounding the risk of relying on revenues to balance the budget, which can be volatile, versus the option of adopting a budget that uses reserves to balance the budget. Askelson pointed out that should the revised budget be approved by the Board, staff will continue to monitor monthly any fluctuation in SOT and interest revenues so that reductions could be made for the current year. She further advised that reserves are adequate to cover one year if needed to allow for adjustments or reductions to right size the budget moving forward since it is an ongoing expense. Other areas to monitor will be estimated enrollment loss, estimated savings from retirement and turnover and changes to state funding. Updates will be provided in the quarterly reports.

Askelson explained that expenditures exceeded revenue due to the planned spend down of \$2.5M in 5A funds that weren't spent in 2018/2019, the planned spend down of \$1.9M in school carry forward, and the one-time use of unassigned reserves for schools to expand teacher planning of \$368,000.

The Board of Education will receive information on and discuss the proposed revisions to the 2019/2020 budget at the September 5 BOE meeting. If the Board wishes to move forward with the 2019/2020 Revised Adopted Budget, staff will bring the appropriate resolutions to the Board on October 10. There was discussion regarding funding for full day kindergarten, the elimination of revenue from previously allowable fees, grant money that was received to outfit classrooms and enrollment shifts with students possibly returning to home schools now that all schools have free day kindergarten.

Askelson reported that an update on the 2018/2019 use of 5A funds for the year will be included in the Fourth Quarter Financial Report. A report on 2019/2020 5A planned expenditures is included in the appendix of the 2019/2020 Adopted Budget. Any 5A expenditures for 2020/2021 will be identified throughout the budget process. She clarified that 5A reserves are listed as a separate budget line item from other reserves that ties to the appendix.

An update on cash flow for 2019/2020 confirmed that cash resources are adequate to cover district expenditures in the months prior to receiving property tax revenues from the state; thus, no short term borrowing vehicle will be needed.

2020/2021 Budget Development Process – Overview and Background on Student Based Budgeting and Budgeting for Outcomes: Nicole Stewart presented information on the budgeting process for student based budgeting (SBB) and the departmental process, Budgeting For Outcomes (BFO), and clarification on how the processes align with BOE ends and the district's vision. Highlights of the presentation included an overview of the benefits of the SBB model including site-based allocation of resources, autonomy for decision-making to meet the needs of the school community, and transparency. Also covered was a breakdown of SBB factors including base factors, equity/at-risk factors, and building factors. Stewart reviewed information on the BFO departmental process that the district uses for all departments within the General Fund and most of the other funds. She shared an overview of the planning process to identify how budget requests tie to district-wide goals and strategies, the requirement for a root-cause analysis and measurable goals as well as how any activity improves current performance. There was discussion regarding how SBB was developed and how BFO can be used to evaluate potential reductions or reallocations.

GFOA Best Practices - Reserves: Askelson discussed the Government Finance Officers Association (GFOA) prior and current recommended best practice for maintaining General Fund reserves noting that previously the recommendation was based on a percentage of unassigned reserves and that the current recommendation is based on two months of operating revenues. There was discussion regarding how the statewide mandated emergency reserve, or TABOR, which is unique to Colorado plays into the GFOA

recommendation to maintain the fund balance. Askelson noted that including TABOR in the calculation of district reserves puts the 2019/2020 Adopted Budget fund balance, less nonspendable items as a percentage of total expenditures, at 16.6 percent. She pointed out that including TABOR in the calculation shows the district continues to be in line with GFOA best practice and that continuing to use 10 to 12 percent range for unassigned should keep the district within best practice guidelines overall. There was discussion regarding district reserves levels, the role reserves play in ratings reviews, district and Board policy on reserves, the value of independent government finance best practices, and a review of reserve levels for the 20 largest districts in the state which Jeffco falls in the top third. Askelson referred members to the state's transparency website for more information.

Bond Program and Facilities Update: Tim Reed, Executive Director of Facilities and Construction Management, presented an update on the status of bond program for third quarter. Reed directed members to the link to the bond update web page from the district's public website. Highlights of the presentation included a summary of financial activity including an anticipated spend of \$70M in 2019 with \$52.99M spent to date on district projects, charter projects/debt payoff, and the purchase of a building for the north transportation. Reed stepped through a summary of projects that included key projects, status and timing, challenges and percentage complete.

FOC Conclusions/Recommendations: The committee discussed the information received on the proposed revisions to the 2019/2020 Adopted Budget. Members of the committee confirmed they are comfortable with the budget as presented and recognize the risk of including estimated revenue from interest and specific ownership tax to balance the budget but feel both items are easily monitored and that reserves are adequate to absorb any variance in 2019/2020. FOC will review the draft recommendation at the October meeting to be finalized as an attachment to the consent item for adoption of the revised 2019/2020 budget at the Board Meeting on October 10, 2019, should that item move forward.

Wrap Up and Next Meetings: Askelson confirmed the next FOC meeting is scheduled for October 1, 2019. The FOC dialogue with the Board is scheduled to coincide with the presentation of the 4th Quarter Financial Report at the BOE study session on October 16 at 8:30 a.m.

The meeting adjourned at 11:40 a.m.