



## MINUTES

### FINANCE ADVISORY COMMITTEE

Thursday, February 15, 2018 • 1:30 p.m.

LCPS Administration Building • Superintendent's Conference Room

#### I. INTRODUCTION

1. *Call to Order*

Mr. Ellison, Interim Chief Finance Officer, called the meeting to order at 1:33 p.m.

2. *Attendance*

In attendance were: Mr. Ed Frank, School Board Member, Maury Castro, School Board Member. From Administration: Mr. Ed Ellison, Ms. Sylvia Martinez and Cindy Archuleta. From NEA-LC: Mr. Dean King, Ms. Amy Simpson and Mr. Glen Landers.

#### II. FINANCE REPORTS

1. *LCPS Audit Report*

Mr. Ellison presented the audited report for FY 16-17. The monthly and quarterly financial reports will be available on the district website soon. The audit report will be available on the LCPS website for public availability after the February 20, 2018 board meeting. The auditors for the FY 16-17 audit were CliftonLarsonAllen, from Albuquerque and who come highly recommended for governmental audits. The audit produced an unqualified opinion which means LCPS is in accordance with generally accepted accounting principles and the auditors found no significant concerns about the district's financial records. The LCPS FY 16-17 audit has already been posted on the state auditors website. The audit report is primarily for informational purposes only and is utilized by Moody's Investors.

Mr. Ellison explained that one audit finding was due to a reclassification on the government wide financial statements required by CliftonLarsonAllen. This finding was due to new accounting pronouncements, which had not been previously adopted in the financial statement.

Discussion was held regarding the district's net financial position for the year ended 6/30/17. Mr. Ellison explained that audit reports reflects accrual accounting and the district financial statements are prepared using cash basis accounting. The difference between these two accounting methods is the timing of when revenue and expenses are recognized, therefore the statements utilizing different methods are not comparable.

Mr. Frank and Ms. Simpson inquired as to what the venue would be for audit inquiries. Mr. Ellison replied that any audit inquiries can be made directly to the Finance department.

2. *LCPS 2<sup>nd</sup> Quarter Report*

Mr. Ellison presented the 2<sup>nd</sup> quarter financial report for FY 17-18. Mr. Ellison explained how the district budgets by function which is how the district is required to report LCPS financials to the State. Ms. Simpson asked about the percentage of budget that is budgeted for staff positions. Mr. Ellison stated that the district is aiming to budget 89-90% for salaries next year. This percentage is fluid throughout the year due to resignations and hiring. Mr. Ellison explained that a staffing analysis will be done for next fiscal year for positions at each school site/department to insure for equitable allocation. Priority will be given to classroom instruction.

3. *January Finance Report*

Mr. Ellison presented the January 2018 Finance Report and asked for questions regarding the report. There were no questions regarding this report.

### **III. BUDGET**

1. *Budget goals*

Mr. Ellison presented his proposed Operational Fund Budget Goals for Fiscal Year 2018-2019. The goals are being presented for transparency in the budgeting process and are used as guiding principles during the budget development process. The Finance Advisory Committee has been delegated oversight responsibility for the budget development process. The budget development also takes into account priorities from the Board, as well as feedback from stakeholders. A fully developed budget is submitted to the Board for review and approval.

The Operational Fund Budget Goals for Fiscal Year 2018-2019 are as follows:

1. Balanced Operational Budget
2. Minimum Emergency Reserve
3. Supplemental Operational Budget
4. Existing Filled Positions
5. Allocation of Teaching Staff
6. Allocation of Non-Teaching Staff
7. Allocation of Non-Staff School Budgets
8. Allocation of Non-Staff Budgets to Departments and other Sites
9. Collective Bargaining Negotiations
10. Transparency

Regarding operational budgets, Mr. Ellison explained that it is not good financial practice to use cash balance for recurring expenditures and that the district should operate within the anticipated revenue each fiscal year. Discussion was held regarding the minimum emergency reserve and the supplemental operational budget. The minimum emergency reserve should not be utilized to pay for any expenditures but

should be a cash balance of 5% of SEG, which is about \$9 million. Cash balance above the emergency reserve could be used to develop a supplemental operation budget for nonrecurring expenditures.

Mr. Ellison explained that the allocation of teaching staff should be based on a formula that Instruction has developed. Ms. Simpson suggested the use of budget “changes” versus “constraints” as listed in the goals so that changes could be both increases as well as decreases.

The goal of allocation of nonteaching staff was discussed. Ms. Simpson inquired as to how this would be allocated. Mr. Ellison said the positions of coordinators, IT staff, custodians, etc. are need based and it would be reviewed with the various departments along with Human Resources and Finance. Ms. Simpson suggested that the formula for custodians be based on square footage of the building they were responsible for.

Ms. Simpson stated she appreciates the budgetary goals brought forth by Mr. Ellison. Mr. Ellison explained that the goals are a starting point for discussion by the Finance Advisory Committee. Mr. Ellison will present the discussion from the Finance Advisory Committee to the Executive Cabinet. The Superintendent develops a budget to present to the Board of Education. In doing so, he takes into account many factors including Board priorities and feedback from stakeholders.

## 2. *Finance Advisory Committee meetings*

Spring budget workshop is scheduled for April 4-6, 2018. Due to budget development, there is a need for an additional Finance Advisory Committee meeting in March. Mr. Frank and Mr. Castro need to email their dates availability to Mr. Ellison so that the additional meeting time in March may be scheduled.

## **IV. OTHER**

### 1. *Budget Adjustment Requests (BARs)*

Mr. Ellison presented budget adjustment requests for grant funds going before the board at the February 2018 Board Meeting. There were no questions regarding the budget adjustment requests.

### 2. *Property Dispositions*

There were no questions regarding property dispositions.

### 3. *January Vendor Payments*

There were no questions regarding January vendor payments.

### 4. *Donation of Marquees for Highland & Sonoma Elementary Schools*

Mr. Frank had a question regarding the donors of the marquees. Mr. Ellison explained that the donors have an advertising display on the marquees in exchange for their donation of the marquee. Regarding the Highland Elementary marquee, the school will conduct a fund raiser since their marquee is a much larger because it is on the highway. The donors did not cover the full cost of the marquee. However, the Sonoma

Elementary marquee is fully funded by Citizens Bank. Mr. Castro asked who the signage vendor was. Mr. Ellison stated that as the donor, Citizen's Bank utilizes Fluorescent Signs since they have an existing relationship with them. Highland Elementary may have to follow the district procurement process since the donations will not fully cover the cost of the sign. The district does not have a policy for donations of a sign/marquee but LCPS does have a policy regarding donations. The Board has the authority to turn down donations.

5. *Approval of January Finance Advisory Committee Meeting minutes*

The minutes from the January 18, 2018 Finance Advisory Committee meeting were presented. Mr. Frank moved that the minutes be approved. Mr. Castro seconded the motion. The motion was approved. The minutes will now be sent to the School Board for their information.

**V. PUBLIC INPUT**

None.

**VI. ADJOURNMENT**

The meeting was adjourned at 3:54 p.m.

—Minutes taken by Cindy Archuleta.