



## MINUTES

### FINANCE ADVISORY COMMITTEE

Thursday, January 18, 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 1:36 p.m.

2. *Attendance*

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

#### II. FINANCE REPORTS

1. *December Finance Report*

Mr. Ellison presented the December 2017 Finance Report and asked for questions regarding the report.

Mr. Frank inquired whether the \$793,734.43 operational cash balance shown was a normal amount. Mr. Ellison replied that \$793,734.43 was the cash balance as of 1/5/18. The district's cash management practice is to transfer cash not currently needed for disbursements to our state investment account, where the district can earn interest. The district needs \$26 million to cover employee payroll in June.

Mr. Frank asked what cash balance the district hopes to attain. Mr. Ellison stated the district included \$7 million in the fiscal year 2018 budget for the ending cash balance, but the district would like to end the year with a \$9 million cash balance which is roughly around 5% of SEG. The \$9 million is what the district discussed with Moody's. The district would eventually like to see the cash balance reach \$10 million and be maintained there. Mr. Ellison seeks a balanced budget next fiscal year as well as a stable cash balance.

Mr. Castro asked if obtaining the \$10 million cash balance would adversely affect the students. Mr. Ellison replied that it shouldn't since cash balances are built over time and then should be left alone and serve as a cash reserve for emergencies. However, students could be affected if the district's bond rating decreased. The interest rates on our bonds would increase and we could have fewer investors willing to buy our bonds,

which in turn could impact the capital projects and improvement at our schools. This could eventually cause property taxes to increase to pay for higher cost bonds. Mr. Ellison stated that the district budgeted a deficit of roughly \$3.5 million for fiscal year 2018. The goal is to have a balanced budget every year.

Ms. Simpson stated that the State of New Mexico's bond rating went down last year, and she inquired if this downturn affected the district. Mr. Ellison replied that LCPS's bond rating was not downgraded. The State of New Mexico's bond rating does not directly determine the district's rating, but the district's rating is affected by the State's financial condition. The district currently has a negative outlook primarily due to the State's financial position. Ms. Simpson inquired whether Finance leadership had a chart of the cash balance of the school districts within the State of New Mexico. Mr. Frank recalled seeing this chart as well, but Mr. Ellison stated that he did not have the chart they were referring to.

Mr. Frank asked why the district budgeted a deficit. Mr. Ellison explained that the district used a portion of the estimated ending cash balance to cover the excess expenditures. Mr. Ellison stated that this is not a good practice and that he plans to work hard to achieve a balanced budget

Mr. King asked how the district would benefit if the State of New Mexico approved a proposal to restore the cash balances that were swept last fiscal year. Mr. Ellison said the State did not sweep the district's cash balance, LCPS would not receive any benefit.

Mr. Castro inquired about the line 13042 – Allowance for Uncollectable Accounts Receivable on the financial report for the Operational fund. Ms. Zuniga explained that this account consists of an estimate for uncollectable amounts from miscellaneous billings where the district received reimbursement from outside parties.

Ms. Simpson inquired about lines 54000 and 55000. Ms. Martinez explained that 54000 is used for repairs and maintenance and that 55000 is used for student travel, employee travel and district liability insurance. The groupings are based on New Mexico Public Education Department's uniform chart of accounts.

### **III. OTHER**

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

Mr. Ellison presented seven budget adjustment requests for grant funds going before the board at the January 2018 Board Meeting. The type of requests consists of four transfers to move monies between functions, one increase budget request to adjust budget due to a final award and two initial budget requests to set up the initial budget based on the award letter.

Mr. Frank asked why there is so much documentation for the BAR's. Mr. Ellison explained that the general ledger account print outs are necessary to justify the district's transfer request to the New Mexico Public Education Department (NM PED). Transfer BAR's are often necessary to ensure that the district has budget in the correct functions and to rectify any negative function balances. Negative function balances are not

allowed by NM PED. Mr. Frank asked if fund 24189 was a new grant and if fund 24174 received a new award. Mr. Ellison confirmed that fund 24189 was a new grant and that fund 24174 did receive a final award recently since this is a federal fund and follows the federal fiscal year.

2. *Bid*

Mr. Manning presented the bid for the commodity food services for a variety of food products utilized for student meals. This was a multi-bid award. Mr. Manning recommended a multi-bid award for the following food vendors: Advanced Pierre, Alpha Foods, Asian Food Solutions, Basic American, Brookwood Farms, Cargill Kitchen Solutions, Cargill Mean Solutions, Integrated Food Service, Jennie-O Turkey Store, JTM, Land O'Lakes, McCain Foods USA, MCI Los Cabos, Michael Foods, Nardone Bros, Pilgrim Pride Corp., Schwan's, JM Smucker, Trident, Tyson, Yang's 5<sup>th</sup> Taste.

Mr. Frank questioned that the bid did not list an amount. Mr. Manning explained that this is a state bid for our district food service and on behalf of all public schools in the state of New Mexico. This will allow other New Mexico school districts to "piggyback" on our contract for their food service needs. This is an on-demand bid, so our district can get pricing to fulfill their food service needs as needed. Therefore, there cannot be amounts listed on the bid and what is being presented is basically a pricing agreement. Ms. Zuniga said this is the price for the processing of food commodities the district receives from USDA.

Mr. Castro inquired as to how the district obtains this list of bidders. Mr. Manning stated that Purchasing works with Food Service and USDA to obtain whom the main suppliers are. The notice to bid is posted publicly so that any vendor who has an interest may apply.

3. *Property Dispositions*

Mr. Ellison presented property being disposed of in the amount of \$78,749.83 which is the original cost of items. The items listed are obsolete, broken or no longer in use.

Mr. Frank questioned why we have no value on the disposition list for the iPod Touch. Mr. Ellison said the iPods are not general fixed assets and were probably brought over from an old system. General fixed assets are what the district reports on the financial statement, which are assets that have a useful life greater than one year and cost more than \$5,000. Even though they have no salvage value, the district is required to notify the state auditor prior to disposing any asset.

Ms. Simpson inquired if the district can donate items LCPS is disposing of. Mr. Ellison replied that the district can donate usable items to another government agency. However, it is against state law to donate items to entities or schools outside the US.

4. *December Vendor Payments*

Mr. Ellison asked if there were any questions regarding the vendor payments for December 2017. Ms. Zuniga stated that all payments were within the normal scope of business.

Mr. Frank asked about payments made to Bay Club and Marina and Allen Theatres and where revenue was shown for candy sales. Ms. Martinez replied that payment to Bay Club and Marina was for a hotel deposit for the Lynn Engineering Magnet students to attend a conference in San Diego for which the student's fundraised for. These payments were from activity accounts.

Mr. Castro asked about the process for handling business donations. Mr. Ellison stated that business donations are presented for board approval. Mr. Manning added that for a donation up to \$1,000, a school administrator can accept it. If a donation is between \$1,000 and \$9,999.99, then the Superintendent can accept it. If the donation is over \$10,000 then the School Board will have to approve and accept it.

Mr. Castro asked about payments made to Bank of America and Brady Industries. Ms. Martinez said payments to Bank of America are payment for procurement cards used for student trips and PPD purchases for supplies/equipment needed for district repairs. Payment made to Brady Industries is for janitorial supplies used by the district.

Ms. Simpson asked about the report Mr. Ellison's presented last year allowing for drill-down on vendor payments. Mr. Ellison replied that the database he had previously utilized is no longer available. He is currently redeveloping the report and will have it completed within the next several weeks.

Ms. Simpson asked about payments made to EBID, Metal Tech Inc. and All Aboard America. Ms. Martinez stated that payment made to EBID (Elephant Butte Irrigation District) is for irrigation rights for LCPS properties. Ms. Martinez replied that Metal Tech Inc. payments are for district HVAC expenses and All Aboard America payments are for charter bus service for student field trips/athletic trips.

Mr. Castro commented from observing the district's vendor payments that LCPS has a substantial financial impact on Las Cruces and the State of New Mexico. Mr. Ellison concurred and commented that this is an important reason for the district to remain financially stable.

Kudos were given to Ms. Zuniga and Ms. Martinez by Mr. King for how they conducted the December 2017 Finance Advisory Committee meeting in the absence of Mr. Ellison and Mr. Manning.

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

The minutes from the December 7, 2017 Finance Advisory Committee meeting were presented. Mr. Frank moved that the minutes be approved. Mr. King seconded the motion. The motion was approved. The minutes will now be sent to the School Board for their information.

**IV. PUBLIC INPUT**

None

**V. ADJOURNMENT**

The meeting was adjourned at 2:52 p.m.

*—Minutes taken by Cindy Archuleta.*