

The Finance Committee of Franklin City Schools met at the Hampton Bennett Building in the Board Conference Room on Tuesday, February 26, 2008, at 6:00 p.m.

Roll By Sign-In

Present: Board Co-Chairs: Mr. Chris Sizemore, Mrs. Lori Raleigh
Mr. Doug Lantz, Superintendent and Mrs. Jana Bellamy, Treasurer
Mr. Cicero Feltner

Absent: Mr. Denny Centers, Mrs. Amy Creech, Mr. Paul Hillard, Mr. Ivan Madden,
Mr. Gary Myers, Mr. Ron Ruppert

Staff: Mrs. Jean Creech, Technology Director

Press:

Guest: Ms. Brenda Wehmer, Attorney – Peck, Shaffer & Williams

Visitors:

Discussion Items:

- A. Tax Incentive Financing (TIF) and Abatements (Community Reinvestment Act (CRA) and Rural Enterprise Zone (REZ) –**
Everyone present introduced themselves and the floor was opened to Ms. Brenda Wehmer, attorney with Peck, Shaffer & Williams who specializes in TIFs and abatements.

Ms. Wehmer defined TIFs and provided explanation of the differences between them and the different types of abatements. These instruments are made available to different municipalities such as cities, townships and counties. Different rules apply to the different types of municipalities and the type of TIF or abatement.

Generally, municipalities may offer TIFs for 75% of the property value for a period not to exceed 10 years, without the school districts approval. However, when certain types of TIFs are approved within the 75% & 10 year provision AND the company or area payroll exceeds \$1,000,000 per year, the school district may have the potential for income tax sharing up to 50% of the amount the municipality receives.

In reviewing the current TIFs on file in our District, Ms. Wehmer believes that the City of Franklin may have one TIF that would exceed the \$1,000,000 payroll whereby the District would have the right to share in the City's income tax revenue collection from Walmart. Based on this

information, Ms. Wehmer has provided a draft letter (included in packet) which may be used to request Walmart's payroll information for 2008. Since the TIF was instituted late in 2007, the first eligible year would be 2008. Therefore, the Finance Committee agreed that the letter should be sent to the City in December 2008 to verify the District's right to the income tax revenue sharing provision of statute.

Ms. Wehmer also provided information on different municipality philosophies. The City of Middletown has instituted entire area TIFs and taken the philosophy that they will hold the District harmless from any TIF area properties. The Warren County Treasurer will continue taxation of this area as if the properties were not in a TIF for the schools. Therefore the District would continue to receive the property tax revenue in the normal procedure.

On the other hand, the City of Franklin has instituted individual business TIFs. Currently, there are four Franklin TIFs. If the TIF were on the area, the entire areas payroll would count toward the \$1,000,000 payroll clause for revenue sharing. Since the TIFs are on individual businesses, we must consider the companies' payroll amounts individually. This philosophy is based on the generation of revenue for the City infrastructure costs.

The Tangible Personal Property tax phase out has not changed statute language; however, it has changed the interpretation of REZ abatement rules. Rural Enterprise Zone (REZ) abatements were previously allowed to abate personal property. The phase out has eliminated this advantage for the companies. The net result is that in some cases, the District could be eligible to a 50% revenue sharing agreement. The statute covering abatements (both REZ & CRA) is confusing at best. Therefore, the Committee concurred with Mrs. Bellamy's thought that we should provide Ms. Wehmer with a spreadsheet of all of our abated properties. Ms. Wehmer will review the list for any possible rights to revenue sharing.

Everyone expressed their appreciation for all of the information Ms. Wehmer provided. It was an excellent and very informative discussion.

B. Mid-Year Budget Review & Review of Contracted Services

A note book providing Mid-Year Budget Review and a Review of the District's Contracted Services had been provided to all in attendance prior to the meeting. Therefore, the floor was opened to questions, comments and discussion of the information and budgetary process.

Some of the questions and answers are providing below:

Q: Why are there different amounts budgeted between the elementary buildings?

A: A review of the elementary building budgets provided the following information:

Anthony Wayne	\$27,749
Gerke	\$27,588
Hunter	\$25,947
Pennyroyal	\$35,299
Schenck	\$24,549

After reviewing the information, Mr. Lantz and Mrs. Bellamy recalled that last year there was a problem with the copy costs at Pennyroyal. The building's copy costs were extremely high. The costs were based on IKON's copy meter, but the reason was not determinable. The Pennyroyal budget is allowing for a higher cost in order to cover expenses, but were closely monitored this year. In a recent cabinet meeting, Mr. Pecor had indicated that he had allowed more than enough money in the building's copy budget and that he would leave the appropriation, but that it could be utilized elsewhere, if needed. At that time, Mr. Lantz and Mrs. Bellamy instructed Mr. Pecor to leave the appropriation there with the intent that it would not be expended and therefore, would assist the District's general fund carried over to the next fiscal year (FY09). Next year, all of the building budgets are expected to be more evenly distributed based on the individual building needs.

Q: Maintenance Budget – What were the purchases included in the budgetary code 001-2710-413-027? It was noted that this account code could possibly be combined with the outside service code (001-2700-420-0000-000000-000-00-027).

A: Mrs. Bellamy said she would review the individual expenses and provide the information. Mrs. Bellamy concurred that the two individual codes could be collapsed because both were maintenance service codes.

Follow up: The expenses included in this code included a payment in the amount of \$10,000 to Cambridge Enterprises for High School ceiling and a payment in the amount of \$1,146.54 to OTIS Elevator for elevator service contract and necessary repairs. A further review of the Uniform School Accounting System (USAS) codes confirms that the codes should be collapsed. The 423 object would indicate health services and the 420 is for property services. Therefore, it would make perfect sense to collapse the entire appropriation into the 420 code.

Q: Maintenance Budget – What are the purchases included in the budgetary code 001-2730-740-027?

A: Mrs. Bellamy said she would review the individual expenses and provide the information.

Follow up: The expenses included in this code included many different purchases made from Lowe's for maintenance equipment, which was necessary in building maintenance and repairs. The individual items purchased are numerous and may be reviewed by pulling individual Lowe's monthly purchase order payments. The Lowe's purchase order will be reviewed to determine whether these expenses would fit more appropriately with the maintenance supply budgetary code.

Q: District-Wide Budget - We have an election code (001-2490-846-0000-000000-000-00-000), which has a \$15,000 appropriation. This seems high for this year with no levy on the ballot, but should be increased for future years where we will have a levy on the ballot.

A: Mrs. Bellamy indicated that she believes the District has expenses for all elections, including the election of board members. Those present discussed the different types of expenses that should be passed along to the districts &/or municipalities.

Follow up: Research of prior year expenses provided the following data:

FY07	\$ 3,305.38
FY06	\$20,262.25
FY05	\$10,787.33
FY04	\$23,218.57
FY03	\$ -0-
FY02	\$ 3,669.54
FY01	\$ 159.01

Q: When you look at the individual budgets, there are line items which have a remaining appropriation and there are those that are exceeding the individual line item appropriation. How are these handled?

A: Mrs. Bellamy said we have always allowed the administrator supervising the particular budget to move monies from one line item to another, but they must stay within the total amount appropriated for that budget. This allows administrators to utilize the funds allocated to better serve the needs within their building or department. For example, a Principal may believe (at the beginning of the year when budget is established) that the building may need "X" amount of dollars in supplies. As the year progresses, maybe an unexpected necessary expense crops up and the need is now in services or equipment. The ability to manage funds among the line items in their particular budget allows for the unexpected or necessary things that may occur during a school year.

Q: Under contracted services (Exhibit D) for the MDESC, the school age program shows two teachers' names and a cost of \$297,660.96. Does that cost include additional program costs?

A: Mr. Lantz said that the school age program cost includes two educational aides for each unit (2 at High School and 2 at Jr. High).

Q: Is the cost of the Warren County Educational Service Center \$684,054.77 or \$703,760.68?

A: Mrs. Bellamy said exhibit A was the 2007-2008 cost estimated received by the ESC in October 2007 and exhibit B is the most recent cost estimated received in January 2008. The spreadsheet in exhibit C shows the cost by account code. When the costs are reduced by the City-County allowance and by grants utilized, the total general fund estimated costs are \$343,758.41. This excludes the MDESC program.

The budgetary and contracted services discussion was very informative and helpful. There were some very good suggestions for improvement and we hope to continue these types of discussions in the future.

Thank you to all participants.

Adjournment

The Finance Committee adjourned at 8:00 p.m.