

The Finance Committee of Franklin City Schools met at the Hampton Bennett Building in the Board Room on Tuesday, April 3rd, 2007, at 6:00 p.m.

Roll By Sign-In

Present: Board Co-Chairs: Mrs. Lori Raleigh and Mr. Chris Sizemore
Mr. Denny Centers, Ms. Amy Creech, Mr. Gary Myers, Mr. Doug Lantz, Superintendent and Mrs. Jana Bellamy, Treasurer

Staff: Mrs. Jean Creech, Technology Director and Mr. Jeff Johnson, Business Manager

Press: Mr. Christopher Magan, Middletown Journal and Mrs. Peggy Darragh-Jeromos, Franklin Chronicle

Discussion Items:

Mrs. Bellamy said the law requires that prior to May 31st of every year, the 5-year forecast must be revised even if nothing has changed which doesn't happen very often. During this meeting, we would like to review some of the items that will require a change in the current year appropriations or the remaining years in the 5-year forecast.

One of the items that would require a change in the FY08 forecast is the amounts and rates. The board of education was required to approve the amounts and rates prior to April 1st. Let's look at the 2008 millage and the FY08 estimated collections:

I. 2008 Amounts & Rates

Mrs. Bellamy presented the amounts and rates, as provided by the Warren County Budget Commission. The 2008 Amounts and Rates are as follows:

<u>Levy</u>	Original <u>Millage</u>	2008 <u>Millage</u>	Est. <u>Collection</u>
Inside Millage	4.03	4.03	
Operating Levies	44.55	15.97	
20-Mill Floor		20.00	\$9,900,000
Emergency Levy	9.79	8.5	\$4,100,000
Total Est. General Fund Collection			\$14,000,000
1989 Bond Issue	1.9	0.55	\$230,000
2001 Library Bond	0.72	0.45	\$210,000

The committee discussed the fact that as property values increase, millage rates decrease.

Mr. Centers asked about the retirement of the bond issues.

Mrs. Bellamy said I believe that both issues were approved for a maximum of 28 years, but once we collect enough revenue to pay off that debt, the auditor will drop that millage off. So, it could be sooner.

The 1989 bond issue was refunded in 1998. It is called refunding, but it is basically like refinancing your house. (This saved \$637,616 in interest expense.)

Mr. Centers asked if there were restrictions on the bond refunding.

Mrs. Bellamy said yes, you may only refund a bond issue one time. The library bond issue has not yet been refunded because up to this point, the cost of the issuance exceeds the savings.

Mr. Centers asked why the refinancing was restricted.

Mrs. Bellamy said it is restricted through legislation, but I'm not sure why the legislators would want to restrict it.

Mrs. Raleigh said school districts are restricted quite a bit more than private businesses and some other governmental agencies.

II. 2006-2007 Appropriation Modifications

Mrs. Bellamy explained appropriations are done on an annual basis. On September 25, 2006, the board of education approved the appropriations for the fiscal year (2006-2007). I used those appropriations in the first year (2006-2007) of the 5-year forecast. Since that time, there have been changes. Mrs. Bellamy referred to the handout "Request for Appropriation Modification for Fiscal Year 2006-2007." The "comments" column contains notations of changes that have occurred since September 2006 that will affect the current year appropriations.

Mrs. Bellamy said tonight, you may be able to think of changes that I haven't thought of or give me feedback to change this year's appropriation. If the finance committee agrees with these changes, our spokespeople (Mrs. Raleigh and Mr. Sizemore) can recommend on behalf of the finance committee, an appropriation modification for this year. Mrs. Bellamy explained the items listed and the supporting documentation. The general fund appropriation modification changes include:

- ODE changed Gifted Identification from general fund to fund 499
- Insurance proceeds – facility repair and computer replacement
- Stadium project

- Hampton Bennett/Early Childhood Center renovations

Mrs. Raleigh asked about the revenue changes that would offset the expenses requested in the appropriation modification.

Mrs. Bellamy explained that the revenue in the current year would not be affected. The 2006-2007 revenue estimates look pretty close, but we need to increase appropriations (estimated expenses). The savings that would result from the Laura Farrell reuse will occur next year and each year thereafter. So, we can look at the current year expenses and then, review the following years in the forecast for revenue and expenses.

Mrs. Creech and Mr. Johnson discussed the Early Childhood Center technology and facility needs.

Mr. Centers asked once these upgrades are completed, how will we stack up with the rest of the schools around here?

Mrs. Creech said we would be ahead. Other schools such as Lakota, Middletown and Centerville have been visited. Many of the things we would like to do are being or going to be done in their districts, as well.

Mrs. Raleigh said our kindergarten teachers are so elated. They could not imagine that we could begin this type of program.

Mr. Centers said I didn't know, I just wanted to ask if we were coming up ahead of the game here. It sounds like we are – that's where we need to be, not where we should have been already.

Mrs. Creech said no, we will far exceed that.

In conclusion of the appropriation modification discussion, Mrs. Bellamy pointed out that only the general fund (001) and the poverty based assistance fund (494) are included in the 5-year forecast. The total appropriation request is \$30,191,695.84, but the forecasted amount is \$26,272,165.55.

III. Changes affecting 5-Year Forecast

Mrs. Bellamy review the following 5-Year forecast (fiscal years 2008-2011), as follows:

Revenue

- FY2008 Amounts and Rates
- Stadium Project
- Final Biennial Budget

Mrs. Bellamy said that the above revenue changes have already been updated in the 5-year forecast draft provided in the packet, with the exception of the biennial budget. It has not yet been finalized; therefore, it is noted as an item that we should watch for possible future revision.

Expenses

Salaries and negotiated agreements

Mrs. Bellamy said that previously the forecast utilized a flat 3% annually for all salary increases. However, current trends are proving to be less. Therefore, I would like to poll the finance committee for their recommendation.

The OAPSE contract calls for a 3% in FY2008 and the FEA contract negotiations may become final in the near future.

Mrs. Raleigh asked if you decrease the estimate by 1%, how does that change the forecast?

Mrs. Bellamy said dramatically. Our salaries and benefits are approximately 80% of the general fund expenses. The benefit expenses are normally 34% of our salaries. If you decrease salaries by 1%, then you're not only gaining there but you're gaining in your benefits as well. If you save 1% next year, that is compounded over the next four years for a total of 4% plus the benefit savings.

Mr. Lantz pointed out that we will begin negotiations with our support staff next spring and the forecast should not provide an expectation that exceeds current trends.

Mr. Centers asked about a four year teacher contract.

Mrs. Bellamy said I cannot certify a contract for fiscal year 2011 because there is a deficit cash balance currently projected. When we begin negotiations with the classified staff, we could possibly be looking at only a two-year contract because of the FY11 projected deficit.

Based on the discussions, the known contract amounts will be utilized and the unknown figures will be estimated at 2% annually.

Sixth graders kept in current neighborhood school buildings

The decision to keep sixth grade in the current neighborhood buildings and to determine a reuse of the Laura Farrell building will allow a staff savings of \$198,164 annually. (\$147,883.36 in salaries and \$50,280.34 in benefits)

They are annual savings; therefore, over the remaining four years of the forecast the estimated savings would be \$792,656.

Textbook adoption schedule

The textbook adoption schedule will remain the same; however, an increase in the future year estimated expenses to allow for possible larger adoption costs. This schedule was reviewed and Dr. Buerschen provided estimates of the annual textbook adoption costs.

Increase in cost of buses

The cost of buses has increased (prior estimates were \$65,000 per bus). This estimates needs to be increased to \$75,000 per bus. Two buses were purchased in FY07 and the forecast schedule is: FY08 =two buses; FY09=one bus; FY10=two buses and FY11=one bus.

Mr. Johnson discussed the bus cost increase and the bus purchasing cycle.

Mr. Myers asked about fuel costs and buses with more fuel efficiency.

The committee discussed possible savings in fuel and different bus options.

Mrs. Bellamy referred everyone to the 5-year forecast. The September 2006 forecast projected a deficit cash balance of approximately \$1.5 million. The above changes and savings modified the forecast to a deficit of approximately one half a million dollars. Although we are requesting an increase in appropriations this year, we're offsetting the increases with savings in other areas.

In addition to the above items, there may be other things to consider. So, I would like to ask everyone to provide any such items.

Mr. Lantz pointed out that with the reduction in estimated salaries, it would lessen the FY2011 deficit.

Discussion

Middle School Media Center

Mr. Lantz said we have already talked about the domino effect of the handicapped class in this building that would need moved to the middle school. We could move the library to the third floor auditorium, which was a storage area for a number of years – clean it up and make a new library for the building, which would allow us to use the old space for three classrooms.

Mr. Lantz said the board has been provided some of the information. The facilities committee will be providing their report and recommendation at the next board meeting. Jana and I thought rather than just the facilities meeting reporting on it, we could present the information to the finance committee tonight to see how it would work with the finances.

Mrs. Bellamy noted that this addition would change the forecast again. If the forecast figures from the packet are published in the paper, people may wonder why it changed. Therefore, I would like to point out that this meeting is to have the finance committee discuss changes that would affect our budget and to review their effect. Once the data is finalized, we could meet early in May and then, present the revised forecast to the board for approval prior to May 31st.

Mr. Lantz pointed out that the work could be done over the summer and the project expenses would occur in next fiscal year (2008).

Mr. Johnson presented the estimated expenses that totaled \$51,800.

There was some discussion involving a wall installation. The conclusion was that the finance committee could support the \$51,800 in FY08. However, an additional increase in the budget for a wall was not supported.

Technology

Mrs. Creech discussed the possible purchase of white boards for grade levels. The finance committee suggested that Mrs. Creech provide a detailed listing of technological needs with the inclusion of the Laura Farrell equipment.

It was agreed that Mrs. Creech would discuss this information at the work session meeting.

Set Next Meeting Date

The next finance meeting was scheduled on May 8th, 2007 at 6:00 p.m. The finance committee is interested in holding a joint meeting with the facilities committee.

Adjournment

The Finance Committee adjourned at 7:09 p.m.