

Budget and Finance Committee
July 30, 2007

Members present: Rodney Jackson, John Price, Kim Lyon, Amy McVey, Julane Mullins, Betty Rhodes, Ellen Quinn, Melodee Parker, Debbie Boian, and Mary Browning.

Visitors: Todd Shearer, Greg Mullins, Fifth Third Bank

Meeting Called to order 4:09 p.m.

Greg Mullins and Todd Shearer presented “Fiscal Management and Investment of Excess Funds”. Thanked the district for their patronage. Todd Shearer, Vice President, Fifth Third Securities, Inc., discussed protection of funds in terms of investment of bond proceeds. There are opportunities available to the district for recent bond proceeds to be invested pending their use on projects. Fifth Third’s relationship with the district began in 1995 and their current clients include – Jefferson County Public Schools, Kenton County, Campbell County Public Schools and the Commonwealth of Kentucky. He reviewed fiscal policy guidelines for school systems, as well as the Commonwealth of Kentucky. Presently, the district is getting an interest rate of 5.4% on district funds at the bank. An investment account would lock in a constant interest rate, which may enable the district to maintain a constant rate of return if the market experiences any volatility in interest rates in the next six months.

The proposal is intended to lessen volatility and manage the risk component in an effort to better manage the interest income. Todd Shearer shared recommendations with the group for the draw schedule from the bond issue for both FNMA and FHLB with a weighted average yield of 5.33%.

Question: All of these suggested investment opportunities are tied to housing. Housing is usually the first to be affected by downturns in the economy. Is this not a risk in itself?
The short answer is no. All of these loans have the implied backing of the Federal Government whose credit quality is extremely secure. There is extreme scrutiny of these agencies.

What typically do you see in a presidential election year? Do the rates crest or do they drop or rise? The economy is so global the presidential election typically does not have an impact on the investment opportunities that we are suggesting.

What is your best guess as to the yield to maturity now? These numbers in this presentation are approximately three weeks old, so about 5.08% presently. We continue to have the sub-prime lending and credit spreads tightening, so what has happened is that a lot of many people who placed bets on sub-prime lending are getting margin calls. There is no way to predict and foresee these things.

Does the district currently have any funds invested in this manner? No,

we want to look at investing a pool of funds at the current weighted average yield of 5.22%? Yes, we are looking at the district possibly allocating a portion of the District's contingency and investing it.

We are going to be guaranteed this yield? Yes. If it goes up we won't see any difference right? Yes. This is similar to purchasing insurance for your car. You don't know what the future holds, but you insure yourself against the risk of an accident.

What was it last year? From June 30th last year to today it's been 5.06%. If the Fed decides to lower rates, the market will adjust and you will lose some opportunity cost in the process. If you wait too late and the market adjusts you will lose the opportunity of the higher rate.

Do we typically have money we can tie up for two years? I understand the bond money we can do this with but are there other funds we could do this with?

Mary: That is why we need to be very careful about what we set aside, looking at the bond proceeds. As far as for two years, perhaps a portion of our contingency funds could be invested this way.

What is the turn around time on the sale? Before 1 p.m. it would be in the account the next day.

What would happen if we had to sell early? You would sell for market price. You could sell a block or the entire amount.

The committee thanked Todd and Greg for their time.

The next presentation was the report from the Staffing Sub-committee. Amy reported that in an attempt to zero base the budget, the committee has made the policy very general, the Administrative Procedure (AP) is very prescriptive. The process will also change, which is not reflected in the draft policy. The staffing will be a sum of money and the school will build the program. There will be positions allocated through sections 4 and 5 and the rest will be given in dollars which will help remove the perceived staffing structure and allow schools to build their programs based on the needs of their students.

The policy does not change the total amount of resources given to the school. In the AP, the supplemental duty has not been included because it is part of the District salary schedule. Itinerant staffing (band, orchestra, etc.) have not yet been addressed, we are still in the process of working with appropriate personnel regarding needed changes. Gifted and talented and magnet will also be updated in an AP. The committee is currently proposing a 182-to-1 staffing level for district wide staffing for the Gifted and Talented program. Should the number of students increase, the growth of students would trigger an increase in staff.

The draft AP contains the class sizes (which stay the same). The sub committee is recommending that custodial staff be allocated through section 3 to address the safety and liability issues from a District-wide standpoint . Section 4 and 5 will still be allocated in positions as now. Section 7 will be as dollars (there is a list included in the procedure as an example to show that resources are not being taken away). Full day kindergarten ~~is~~ will be included on the first page of the staffing policy. However, full day kindergarten staffing will not be considered when calculating discretionary staff because the state does not count these kindergarten students as full time students. Language for the multi-age configuration at the primary level has been left in. Councils decide in March whether or not they want multi-age or straight grades.

Question: *Why cannot the staffing be based on the age of children rather k-3 or intermediate?* Because we cannot afford to separate the staffing, it is up to the school council to do that.

How is the money being distributed? We are using average salary. Some districts are using dollars only and principals go out and look for “cheapest” they can find.

Need to eventually create an equitable distribution for section 7 dollars.

In wrapping up, Amy asked everyone to refer to the chart of the timeline. In the timeline the district will be staffing at 95% on March 1 for the elementary level, staff at 98% at the middle school level. This has prevented schools from losing staff on Day 4. It has allowed us to not have to move anyone, except for classified personnel, counselors, and Special Education staff. This procedure has allowed us to afford to leave teachers after day 4.

The final policy will be reviewed again by the Committee before it is presented to the Board in September. The next meeting will be scheduled once the cabinet has made its decisions.

Meeting adjourned.