

Budget and Finance Committee
Meeting Notes
September 5, 2007

Members Present: Stephanie Hong (for Jack Burch), Kent Pleasants, Betty Rhodes, John Price, Mary Browning, Julane Mullins, Kim Lyon, Rodney Jackson, Melodee Parker, Amanda Ferguson, Amy McVey

Mary opened the meeting at 3:10 p.m.

Working Budget will be distributed to the board in a few days. Julane distributed draft copies for the committee to review. The budget will remain preliminary until the annual audit is complete. The district is in a very strong position, no cuts will be needed. Several factors can be attributed to this – zero based budget process at IAKSS and Springhill Drive, schools have been asked to do this process as well with their Section 6 and SEEK monies. Sub committee has been charged with staffing policy review and changes will go to the board this month. The last two years we have been reevaluating processes to maximize resources. Examples are the new bank bid. The District has also begun restructuring how resources are allocated – examples would be supplemental duty process. State has reallocated funding by increasing the guaranteed SEEK base which has allowed the district to come out of the hold harmless category over the last two years. The district has been able to cover mandated raises because they get more resources from the SEEK fund. This process at the state level is reviewed every two years so there is no guarantee that this is a trend. One of the most proactive things the district has done is to budget biennially instead of annually. It was an opportunity to plan for and anticipate expenses and avoid having to make significant cuts in resources.

Current budget is up \$1.1 million from last year. Carry forward funds will allow us address cash flow issues July-September when revenue collections are slow. Julane reviewed items of interest in budget.

Question: *Utilities tax – once the amnesty period expired has there been a reduction in revenues?* In talking with Nancy Kaylor she indicated that in '05-'06 we were still receiving a little utility amnesty money. *But there will be growth?* It looks like about 4-5% a year.

Budget office is recommending: a contingency in the amount of two payroll periods some one-time initiatives from the 2020 Vision process, start up funds for three new elementary schools, air conditioned lift busses for transportation, musical instrument purchase and repair, and textbook and software replacement, as well as another round of RFPs related to 2020 Vision and closing the gap initiatives.

Because of the CERS retirement changes there is a recommendation to place additional funds in retirement fund as well as fuel, utilities etc., adjusted for inflation.

Who bears the cost of sick leave given to retirees? The district.

Budget office is also recommending a reserve of \$3.1-million for any mandated salary increases that may come from KDE or the legislature.

Total general fund budget \$285-million, total with Fund 2, Food Service and Capital outlay \$355-million.

The \$3-million in retirement and the \$4-million in the sick pay, those are not line items in here they are? No they are in the beginning cash balance until after the audit. A narrative with details will be sent.

Amy reviewed the staffing policy. Policy has not changed since the last meeting and what will be taken to the board in October will be the Administrative Procedures. There will be no funds taken away from schools. Schools will simply have the latitude to build programs for their schools that will best serve their students. KSBA has reviewed and has recommended that the AP be one large document and perhaps include the special education, gifted and talented and magnet staffing language as well, the document will also include triggers for support staff that have been discussed by the committee.

What was the rationalization to move everything to the AP? They had recommended that the district do this a couple years ago, more for administrative management so that documentation is in one place. It cleans up the process. It will provide one place to obtain answers which will be beneficial to everyone.

Julane updated on Technology Support – Current technology in place in the district does not support the new staffing policy and AP. The board will be asked on Monday night to enter into a contract with a new technology vendor to develop a new technology based staffing program. This will assist administrators in being able to zero base current positions. It will also allow the budget office to work through the Day 4 process quicker instead of dealing with the logistics face to face and on paper.

Who was on the evaluation committee for the contract? Julane Mullins (Budget Supervisor), Kim Lyon (Budget Analyst), Garry Hoover (MUNIS Supervisor) and Mike Burke (Director of Technology).

This process will allow the district to see a snapshot of each school and how they are spending the resources and will also free up time for the budget office to focus on assisting schools. It will enable the district to pull MUNIS data in and look at live data at all times, so that we can communicate with the Board where we are.

We want it to be user friendly right? Yes, additionally what we are using now is paper and pencil based, this will be web based, all electronic and that will speed things up a lot.

You got references from them? Yes we did, they have done extensive work with UK both at the college and the medical center and with LFUCG County Clerk's office. Julane was

asked to provide the Board with the bid proposal from the contractor. The committee contacted four references from each bidder.

Diana Shoop went over 403B annuity program changes by the IRS. She has invited representatives from ING and AIG to present to the committee. They have both are offering to administer 403B annuities for the district free of charge.

Kevin Orr regional vice president from Valic presented on 403b

Jan Schoolcraft and Greg Carter presented for ING.

If the IRS suspects something who will they audit? They will audit schools, on the 9024 transfers, they will audit backwards. Check for administrative checklist first, then will start looking from there.

Any inkling as to how IRS would assess penalties on school district? Don't know where they get their numbers - generally they use a percentage of the over-contribution amount. The employee and district will be charged interest.

Cost to the district of offering these? There is one district that is not offering this, they are just offering 401s and 457s through Kentucky Public Employees Deferred Compensation. *How many participate?* Probably about 2000 with 1000 in each, about 30% of the employee force. It is something the district feels it has to offer to be competitive.

Garry will look at data information and Brenda will review contracts the group will decide after these reviews are complete.

Meeting adjourned at 5:03 p.m.

Next meeting – October 22 at 3:00 p.m.