



## ***Financial Oversight Committee Meeting***

Remotely via Zoom  
1829 Denver West Dr., Building 27  
Golden, CO 80401

### **Meeting Minutes** **June 2, 2020 – 10:00 a.m. via Zoom**

#### **Financial Oversight Committee (FOC)**

##### **Members Present:**

Mike Bestor  
Gordon Calahan  
Leanne Emm  
Mary Everson  
Kyla Jones  
Scott Tarbox

##### **Committee Members and Staff Absent:**

Brian Ballard, Chair

##### **Staff Present:**

Dr. Jason Glass, Superintendent  
Kathleen Askelson, Chief Financial Officer  
Steve Bell, Chief Operating Officer  
Stephanie Corbo, Finance Director  
Nicole Stewart, Budget and Treasury Director  
Debbie Rainguet, Exec. Assist., Financial Svcs

##### **Independent Auditor and Other:**

Paul Niedermuller, CliftonLarsonAllen, LLP

**Welcome and Introductions:** Brian Ballard called the meeting to order and declared a quorum.

**Approval of the Minutes:** Scott Tarbox moved to approve the minutes for May 5, 2020. Mary Everson seconded. The motion carried unanimously, and the minutes were approved as presented.

**District Investment Portfolio:** Kathleen Askelson discussed a rating change by Standard and Poor's that downgraded Toyota's long-term rating to A+ from AA- and upgraded the outlook to negative from credit watch negative. Her update included background on the rating change, a review of the Toyota Motor Credit exposure in the reserve portfolio, how the holding aligns with district's investment policy guidelines and the recommendation from Insight Investment to hold the Toyota Motor Credit position at this time. Following discussion, there was consensus to hold the Toyota Motor Credit position at this time.

**Community Budget Advisory Committee:** Askelson updated members on a new Community Budget Advisory Committee that was formed in May by the superintendent to address revenue impacts for the district. She reviewed the charge of the committee, membership make up, leadership of the committee by Brian Ballard and Leanne Emm from FOC, the consensus-based process used for decision making, an overview of staff support, and the timeline for delivery of a final report of recommendations to the superintendent by June 8. Emm commented on the challenges for the committee to come to consensus due to so many funding unknowns and the tight timeframe for submitting a final report of recommendations. There was discussion regarding the committee's discussion to date regarding use of reserves, whether to consider delaying adoption of the budget past the state law requirement to do so by June 30, the tight timeline for getting the report to the superintendent will be released to the public. Emm confirmed that the committee did reach consensus that the Board should not delay adoption of the budget past the current requirement to adopt by June 30. Dr. Glass confirmed that the CBAC was convened by the superintendent and communications will be made through district administration to the Board; he further noted that the committee also reached consensus that the district budget assumptions for next year are accurate.

**Budget Update: 2020/2021 Proposed Budget, Legislation and Negotiations Status:** Askelson stepped through the budget presentation that will be presented at the Board of Education (BOE) meeting on June 4. The two

major topics to be covered include an update on the status of the School Finance Act and planning for budget reductions. Askelson noted that the state budget has been introduced into the House whereas the School Finance Act has yet to be introduced; thus, districts are still waiting on funding allocations. She reviewed a budget outlook chart from Legislative Council that anticipates a \$3.3 Billion shortfall for the state for next year and a series of economic recovery models from the Office of State Planning and Budgeting. Currently, inflation is set at 1.9 percent, statewide student enrollment growth is estimated at 1,132 students, and the budget stabilization factor is unknown. School districts will receive one-time CARES Act funding from the federal government which will come direct to schools in two pieces one from the federal government based on title allocations and the other from the governor based on per pupil allocation. The challenge is that limited direction has been provided on allowed uses for the funds and without that information the district can't risk spending the funds if there is a possibility that expenditures will be disallowed during the audit. Askelson is working with other school districts and the Colorado Department of Education (CDE) to determine how the funds can be spent and what strings are attached.

She reviewed several options for possible areas of budget reductions for 2020/2021 including furlough days and/or pay reductions and the use of reserves to eliminate immediate impacts to students, staff and community while assuring long-term financial stability. Other areas being that could be considered but which would be more difficult to implement quickly and would impact staff, student and community support include layoffs of central staff and/or through school based budgets (SBB), short term and long term program cuts, and school closures/consolidations.

Askelson summarized the estimated revenue/resource assumptions at \$(32.9M) and expenditure assumptions at \$(11.7M). She discussed possible scalable reductions in the areas of central admin, SBB, Capital transfer, furlough days and percentage pay reductions, and 5A funding redirection. Askelson stepped through a list of Cabinet-recommended reductions that was presented to the Board, sent to FOC and is attached to the Board meeting agenda item. The list identifies three areas of reductions including \$6.7M in recommended reductions, \$773K in disruptive reductions and \$154K in what is being considered damaging reductions.

To address feedback that the district's central admin budget has risen, Askelson clarified that the largest increasing division in central is Student Services; these services are deployed centrally and not through SBB. There was an increase in over 600 students needing services from fiscal year 2018 to 2019. Other areas held in central admin include hard to fill positions and technology. The central admin budget also increased due to compensation increases and 5A expenditures as directed by the Board.

The next steps for the Board will be to review recommendations for central reductions, provide preliminary direction on budget, participate in community engagement, adopt the budget and consider any supplemental budget changes for 2019/2020.

Askelson reported that negotiations with Jefferson County Education Association (JCEA) and Jeffco Education Support Professionals Association (JESPA) are on-going and anticipated to continue into June.

There was discussion around the two different sources of funding the district will receive through the CARES Act including ESSER funds and CRF funds. Askelson commented on work being done to determine how the funds can be used, funding estimates, how to spend the funds across budget cycles, the need for direction from CDE and district auditors, and collaboration with other districts to sort through the issues. Askelson clarified that the percentages for spending 5A funds were set by the Board, not through ballot language; thus, the Board as an additional tool can decide to re-adjust how those funds can be spent.

Planning for 2020/2021 has to look ahead and consider that if no federal funding is provided to offset anticipated ongoing revenue reduction impacts, the district will be facing a substantially bigger deficit for 2021/2022. Askelson noted that budgeting is challenging due to lots of unknowns including understanding the impact of the shut down as well as what it might cost to reopen schools. She anticipates that the district will

have to revise the budget during the year due to the short window once the School Finance Act is passed, lack of direction from CDE on the COVID-19 funding, and late information and changes prior to budget adoption.

In response to a question about the costs associated with the shift to remote learning, Askelson pointed out that because the district passed 5A, orders for 1:1 devices were already in place which helped to put the district in a good position for the shift. There were some costs to supply hot spots but that was managed along with support from partnering organizations. The biggest cost has been paying for salaries when no fees or tuitions were coming in from food services and child care. Pulling together costs to re-open schools is challenging due to the lack of understanding on how school will look in the fall.

Dr. Glass commented that the major shift in budget assumptions was not with costs but was with lost revenue from fees for food and nutrition service and tuition and trying to cover that for the current year. He commended Askelson for the great job her team is doing managing the shift that will hopefully, along with potential federal funding from the CARES Act, allow the district to avoid the use of reserves in the current year to cover the revenue shortfalls.

In response to questions about the proposed Restart Plan, Dr. Glass noted that they are looking at other models and practices nationwide and internationally to assist with planning but have determined there is no set of best practices. Thus, planning continues and it is anticipated that the proposed models may change as the district learns more about how the virus may affect various age groups, timing for a vaccine, how to deal with potential outbreaks and asymptomatic spread, what reconfigurations of staff may be necessary to adhere to social distancing practices, the availability of testing and how different models for elementary versus high schools could work. He noted that the planning is complicated, and there is no short, easy answer.

**FOC Conclusions/Recommendations:**

If more information from the state becomes available, the committee may consider holding a July meeting and could consider a communication to the Board at that time with regard to the proposed assumptions and pace and rate of reserves spending.

There was discussion regarding feedback that could be provided from FOC to the Citizen Budget Advisory Committee (CBAC). Discussion covered past experiences with economic downturns, recognition that the consequences of COVID-19 will be a multi-year event, and shared insights regarding the strategic use of reserves over multiple years. Members felt it was important to be conservative with reserves to assure the district remains financially stable and to not hesitate to deal with the hard choices of anticipated budget shortfalls immediately to soften the impact and avoid pushing problems down the road.

The committee reviewed historical information on the use of reserves during the last economic crisis. During that time reserves were used over a four-year period with a smaller use of reserves the first year and largest use during the fourth year. Askelson pointed out that the timeframe for having to make budget reductions could be a consideration as to whether use of more reserves up front to soften the impact of potential salary and program cuts.

Emm will communicate insights from FOC to the CBAC.

**Wrap Up and Next Meetings:** Askelson reviewed dates of upcoming meetings. Staff will follow up on setting up a July meeting if needed. FOC meetings for 2020/2021 will remain on first Tuesdays of the month, August through June, from 10 a.m. to noon.

Askelson announced that this is the last FOC meeting with Stephanie Corbo. Corbo confirmed she accepted the CFO position at Jefferson County and noted that while she enjoyed working with Jeffco Public Schools and the FOC, the move to the new position is a great opportunity for her.

The meeting adjourned at 11:07 a.m.