



School Corporation Fiscal and Qualitative Indicators Committee Meeting Memorandum

July 26, 2018

Call to Order: A meeting of the School Corporation Fiscal and Qualitative Indicators Committee (“Committee”) was held on July 26, 2018, at 2:00 p.m. EDT at One North Capitol Avenue, Suite 900, Large Conference Room, Indianapolis, Indiana. Members of the Committee attending the meeting included Courtney Schaafsma (Chair), Melissa Ambre, Matt Parkinson, Neil Broshears, Chase Lenon, Josh Martin and David Holt.

Ms. Schaafsma called the meeting to order and recognized compliance with the Open Door Law. The first agenda item was the approval of minutes from the July 12, 2018 meeting. Ms. Ambre made a motion to approve the minutes and Mr. Parkinson seconded. The Committee voted 7-0 in favor of the motion.

Ms. Whitney Bross and Mr. David Lusan from the Legislative Services Agency (“LSA”) provided a presentation on the Fiscal Condition Analysis (“Analysis”) they completed for the Interim Study Committee on Fiscal Policy in Fall 2017. Mr. Lusan explained that the one of the goals of the Analysis was to determine what factors influence a student enrolling in a particular school corporation, since enrollment drives the revenue to be received by the school corporation. Ms. Bross also mentioned births and housing starts has other potential indicators that may impact the future of a school corporation. School aged population may also be a possible indicator. Ms. Bross indicated that the quartile analysis prepared by LSA was met with mixed reviews, but she felt that being able to compare across school corporations is important. Ms. Bross mentioned another indicator she felt would be helpful but which is not currently available would be a building capacity and utilization metric, as it would help to connect ADM changes to changes in salaries and benefits. She also indicated she felt that qualitative indicators are important, including audit letters prepared by State Board of Accounts. Mr. Lusan highlighted changes in cash balance as an important metric. Ms. Bross also indicated that some of the indicators need to be considered in tandem, rather than on their own.

Mr. Mike Keaffaber and Mr. Christopher Kuhn with M.S.D. of Wabash County then provided public comment to the Committee. Mr. Keaffaber explained that their school corporation has been identified in the past as having financial difficulties, based largely on issues associated with the self-insurance fund. He indicated, though, that the school corporation had been actively working on addressing this concern and had a plan for moving forward for continuing to address this issue. He provided this example to explain that each school corporation may have a particular story associated with its financial picture which is important to understand before determining if a school corporation is truly facing financial difficulties. Mr. Kuhn indicated that he felt that the timing of available data makes it challenging to evaluate a school corporation’s

finances. He said he felt that the indicators should not be tied to a one-size-fits-all model. Key indicators he discussed included enrollment, students receiving free and reduced price lunch, and building condition. Mr. Kuhn stated that he felt the timing of the changes in finances as compared to the ability of the school corporation to respond to such changes is an important consideration as well.

Mr. John O'Neill with the Indiana State Teachers Association ("ISTA") then provided comments. He indicated ISTA appreciated the efforts of the Committee. He indicated that ISTA felt class size may be an important indicator. Class size can impact safety of the students as well as teacher satisfaction and retention. Mr. O'Neill indicated that an audit of class sizes may be needed.

Mr. Brian Tomamichel, Chief Financial Officer for Westfield-Washington Schools, then provided comments. He indicated that his school corporation is one of the fastest growing school corporations in Indiana, requiring additional buildings to be built and debt to be taken out to support such growth. He explained that providing benchmarks or ranges may be preferable to comparison across school corporations. He also discussed that on certain items such as debt, it may be important to look at what will be happening in the future rather than focusing on where it is today. For salaries and benefits, Mr. Tomamichel indicated it is important to consider the geographic location of the school corporation as that may drive salaries and benefits. He also stated that he felt it is important to look at overlapping taxing units as well in reviewing a school corporation. Mr. Holt commented that growth can be as devastating as loss within the school corporation, as it can be difficult to keep up with the growth.

The Committee then discussed potential fiscal indicators that could be used to evaluate a school corporation's financial status. Indicators discussed included:

- General fund cash balance plus rainy day fund cash balance
- General fund cash balance plus rainy day fund cash balance as percent of general fund expenditures
- Enrollment trends
- Changes in assessed value
- Property tax cap impact
- Interest payments on debt as a percent of cash balance
- Liquidity of funds
- Debt service expenditures as percent of overall expenditures
- Debt service expenditures as compared to net operating revenues
- Age of buildings
- Class sizes
- Deferred maintenance on buildings
- Capital asset plan
- Debt to ADM
- Debt to assessed value
- Use of short-term financing such as tax anticipation warrants
- Timing of debt payments

- Population changes in the surrounding community
- Household income in the surrounding community
- Unemployment rate in the surrounding community
- Differences in small, medium and large school corporations
- Differences in urban, suburban, and rural school corporations
- Mobility of the population
- Multi-family housing
- Students in the community enrolled in the school corporation as compared to other educational options
- Percent of students categorized as special education
- Turnover of key administrative positions
- Adoption of internal control policies
- Ability to pass a referendum
- Issuance of judgment bonds
- Missed debt payments
- Missed payroll
- Missed vendor payments
- Timing of vendor payments
- Failure to make required contributions

New business: None.

Adjournment: Ms. Schaafsma adjourned the meeting at 3:54 p.m.