

School District of the City of Muskegon Heights
Receivership Transition Advisory Board Meeting

Wednesday, March 15, 2017
Conference Room
2603 Leahy St.
Muskegon Heights, MI 49444

MINUTES

I. Call to Order

Chair Ann Storberg called the meeting to order at 4:04pm.

A. Roll Call

Members Present – 5

Patrice Johnson
Dale Nesbary
John Schrier
Ann Storberg
Clinton Todd

Members Absent – 0

(None)

A quorum was present.

Three members of the Muskegon Heights Public School Board of Education (the “District Board”) were in attendance.

B. Approval of Minutes

Motion by Mr. Schrier to approve the draft minutes of the Board’s January 18, 2017 meeting as presented. Motion moved and seconded by Ms. Johnson. The Board approved the minutes of the January 18, 2017 meeting as presented by voice vote.

After approval of minutes, Chair Storberg asked the members of the Muskegon Heights School Board of Education to introduce themselves. Board members, Trinell Scott, Estelita Rankin and Mark Glover introduced themselves. Gary Britton, the appointed attorney for the district was also present.

II. Old Business

None.

III. New Business

A. News and Updates

i. School Reform Office

Chair Storberg provided information regarding the School Reform/Redesign Office (SRO) and Muskegon Heights Public School Academy System (the “System”).

Explanation was provided as to why the high school is on the list of schools ranked in the bottom 5 percent based on academic performance. The System is in discussions with the Michigan Department of Education (MDE) on a Partnership Agreement that will allow the System to continue operating its high school for the next 18 months. During this time the System must improve its academic performance. The System will also will be provided resources and are required to work with various partners.

The System is currently working with Dr. Teasley from MDE to create an academic plan in combination with a 5-year strategic plan. The System has invited students, teachers, and community members to a series of ongoing strategic meetings to address the academic goals of the district and is hoping to develop consistency in its academic curriculum.

Discussion began with members of the RTAB Board and District Board expressing support for increased transparency regarding actions on academic performance measures. Additional discussion ensued regarding community involvement. District Board members brought up concerns that letters sent to parents by SRO have increased the level of uncertainty that the high school will remain open and this may negatively impact enrollment.

Additional discussion occurred regarding the methods to be used between SRO and MDE to measure academic performance over the next 18 months. Details of the agreement have not been made public yet, but the District Board should have access to quarterly financial reports and academic information from the System by virtue of their role as Authorizer.

B. Monthly Reports

i. Liabilities Report

Mr. Lewis reviewed the liabilities report noting the next debt service payments are due April 25 and that the district will need to borrow from the school bond loan fund in June.

Discussion ensued regarding the additional amount needed to be borrowed this fiscal year from the school bond loan fund. Mr. Lewis stated that he is waiting to hear from the Muskegon Height City Treasurer to confirm the amount collected from the City's winter levy, which is normally submitted to the district in February. This information will allow a better projection of the district's cash position for the remainder of this fiscal year.

Mr. Lewis continued to report that a payment to the Office of Retirement Services (ORS) is scheduled to occur in August, and a Qualified Zone Academy Bonds (QZAB) payment is due January 1st. Discussion ensued regarding the amount due to Unemployment Insurance Agency (UIA). Mr. Lewis reported that he is still not able to confirm the amount due to UIA and believes UIA is reporting a higher outstanding balance than what is actually owed by the district. He will continue working with UIA to resolve this discrepancy. The RTAB members agreed that this issue needs to be resolved as soon as possible, and also stated that the district should consider making payments towards the outstanding balance. Mr. Lewis stated that he would like to wait until the tax revenues are recorded to ensure the district's cash flow projections are sufficient.

ii. Cash Flow Projections

Mr. Lewis reviewed the District's projected monthly one-year cash flow report. Mr. Lewis noted that the cash balance is expected to decrease through August when a \$604,000 payment is due to ORS. Mr. Lewis expressed concerns with making this payment due to uncertain tax revenues.

Chair Storberg noted that based on the Remediation Agreement with ORS, the next lump sum payment is in June and requested Mr. Lewis review the agreement to confirm timing of next required payment.

Discussion ensued regarding various expenditures. Mr. Lewis reported that the increase in Other Expenditures in September is due to property

insurance to an amount between \$30,000-40,000. Mr. Lewis explained that the district has shopped for insurance on several occasions, but Middle Cities is the only vender willing to insure the district due to its unique operating structure. The district is also required to insure the System's buildings.

Mr. Schrier asked what activity is being done to sell buildings. Mr. Lewis noted that all buildings owned by the district are being used. Chair Storberg asked whether the unused space in the administrative building is being rented out. Mr. Lewis noted one current tenant and another that has expressed interest but is not bound by any agreement at this time.

Chair Storberg noted the district pays for a maintenance employee and asked about the extent of their responsibilities. Mr. Lewis answered that the employee is half time and clears snow, maintains the grounds, and makes repairs.

It was noted that while Other Expenditures decreases after September, the amount is still higher than normal for October. Mr. Lewis was not able to identify the exact reason but can get that information to the Board.

Discussion ensued regarding revenue estimates. Mr. Lewis responded that the revenue estimates are very conservative and that he uses decreasing tax values in the district projections. He continued that the City provides some tax information, but he uses the county equalization data as it is more accurate.

Mr. Lewis continued noting that the district should receive delinquent taxes by the end of May or early June. Mr. Lewis added that State Aid Fund is sent to the District and is passed through to the System.

iii. Comparison of Budgeted Revenue and Expenditure to Actual

Mr. Lewis reviewed the comparison of budgeted revenue and expenditure to actual for the District. He noted that the current budget does not include a technology millage that it receives from Muskegon Area ISD. This millage flows through the district and is passed through to the System. The Two-Year budget for the district will require an amendment due to this millage.

Ms. Johnson asked about the technology millage and how the System's use of the funds is monitored. The funds are used for updating computers, devices, and technology in the System.

Mr. Lewis noted that Qualified Zone Academy Bonds were for energy controls that were installed in district buildings. The projected savings from the energy controls installed in the District's building were expected to cover the service debt, however, most of the buildings have been sold and these savings were never realized.

Mr. Lewis also provided an update on GASB changes in reporting other post-employment benefits (OPEB). He stated that the changes take effect in 2018 and that Michigan Public School Retirement System will be providing individual district calculations similar to how pension information is now provided.

IV. Receivership Transition Advisory Board and Muskegon Heights Board Comments

The RTAB members welcomed the District Board members to the meeting. Discussion ensued regarding the roles and authorities of the two boards. There was additional discussion regarding the District board's role as the authorizer for the System.

V. Public Comment

None

VI. Adjournment

Motion made to adjourn by Mr. Nesbary. Motion moved and seconded by Mr. Todd. The Board approved the motion to adjourn by voice vote.

There being no further business, the meeting adjourned at 6:03pm.