

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

Wednesday, June 17, 2020
Virtual Meeting via Microsoft Meeting

MINUTES

I. Call to Order

Chair Jessica Thomas called the meeting to order at 4:02 p.m.

A. Roll Call

Members Present – 5 (via phone)

Jessica Thomas
Patrice Johnson
John Schrier
Clinton Todd
Dale Nesbary

Members Absent – 0

(None)

Governor Whitmer’s Executive Order 2020-48 provides authorization of remote participation in public meetings and hearings in accordance with the Opening Meetings Act (OMA). A quorum was present.

B. Approval of RTAB Minutes

Dr. Johnson stated she was present at the May 20, 2020 RTAB Meeting. Motion by Dr. Nesbary to approve the draft minutes with the addition of Dr. Johnson being present at the meeting. Motion moved and seconded by Mr. Schrier. The RTAB approved the amended May 20, 2020 meeting minutes.

II. Old Business

None.

III. New Business

A. District Updates

Chair Thomas asked Mr. Lewis to provide an overview of the June reports, FY 2019-20 general fund budget amendment and FY 2020-21 general fund budget. Mr. Lewis stated that he would be happy to answer any questions on any of the items he provides an update on during the meeting.

B. June 17, 2020 Monthly Reports

i. Liabilities Report

Mr. Lewis reported no changes to liabilities from the previous month. Mr. Lewis stated that the district will make an emergency loan payment of \$410,502 this month. This change will be reflected in next month's report. Mr. Lewis made the board aware that there are no principal payments being made on the 2017/18 Emergency Loan #4. The principal payments for Emergency Loan #4 will begin in 2022.

ii. Cash Flow Projections

Mr. Lewis reported cash is stable for the district. The district is on track with meeting all the obligations. Chair Thomas asked Mr. Lewis about the enrollment adjustments on the cash flow. Mr. Lewis stated that he has reduced the estimated receipts for authorizer fees to account for potential enrollment loss at Muskegon Heights Public School Academy System in the upcoming fiscal year. The district has budgeted for a \$500 foundation allowance reduction.

Chair Thomas asked what recommendation Mr. Lewis used for the reduction in foundation allowance. Mr. Lewis responded the foundation allowance reduction of \$500 was a consensus met by the Muskegon area schools. Dr. Nesbary stated that he has heard that most districts are budgeting for a \$740 foundation allowance reduction. John Lewis responded that he used the latest information that the county provided. Chair Thomas asked about potential general fund budget amendments during the year. Mr. Lewis stated that he always completes budget amendments in June as most of his receipts and expenditures are booked toward the end of the fiscal year. He will consider doing a mid-year budget amendment if necessary.

iii. Comparison of Budgeted Revenue and Expenditure to Actual

Mr. Lewis reported that the district is expecting the delinquent tax revenues sometime this month. The county will cover the uncollected taxes from the city. The district is not being charged for unpaid auctioned properties this fiscal year, which has contributed to growing the general fund balance. Chair Thomas responded that she was surprised that they are not collecting this and asked for more background. Mr. Lewis responded that they have

felt no need to collect these over the past two years; however, the district budgets conservatively and includes collection in each general fund budget.

C. Resolution to approve FY 2019-20 general fund budget amendment

i. FY 2019-20 general fund budget amendment

The District passed an FY 2019-20 general fund budget amendment, showing an operating surplus of \$208,310, with a final general fund balance of \$488,424.

Mr. Lewis stated the general fund balance continues to grow. The general fund budget amendment reflects the impact of the Stay at Home Order and Act 18 revenue received from Muskegon Area ISD. Mr. Schrier asked Mr. Lewis to provide clarity on what consists of board of education costs. Mr. Lewis responded that the board of education costs consist of legal and audit services and sometimes travel for the board.

Dr. Nesbary motioned to approve the budget amendment as presented. Mr. Schrier seconded. The RTAB approved the FY 2019-20 general fund budget amendment.

D. Resolution to approve FY 2020-21 general fund budget

i. FY 2020-21 general fund budget

The District passed an FY 2020-21 general fund budget, showing an operating surplus of \$115,400, with a final general fund balance of \$603,824.

Mr. Lewis stated the general fund balance continues to grow. The general fund budget reflects decreased authorizer fees due to a projected enrollment loss and no Act 18 revenue. The district expects greater legal services expenditures and does not include the impact of the Stay at Home Order.

Chair Thomas asked about the small change in property tax assumptions and asked Mr. Lewis to elaborate on this. Mr. Lewis stated that he used the L4029 for equalized values. Dr. Johnson responded that the formula used in calculating the equalized values consider the impact of COVID-19. Mr. Lewis stated that he followed the county wide approach. Mr. Schrier asked what the potential impact would be if businesses in Muskegon Heights close and where cuts will be made. Dr. Johnson added that she feels the district needs to evaluate and look at developing another scenario budget.

Mr. Schrier recognized that the district is making their debt service payments on time; however, the last payment is set to be made in 25 years.

Mr. Schrier wanted to know if Mr. Lewis has looked at options of increasing the payments and trying to minimize the district's expenditures. Mr. Lewis responded that he is following the debt payment structure provided to him. Dr. Johnson proposed that the district should look into pursuing another scenario budget, minimizing expenditures and options to pay more debt down.

Mr. Schrier motioned to approve the budget as presented. Mr. Todd seconded. The RTAB approved the FY 2020-21 general fund budget.

IV. Public Comment

Trinell Scott, Board President, Muskegon Heights Public Schools

V. Documents Submitted to RTAB

Chair Thomas reported that there were several documents submitted to the RTAB and wanted to take this opportunity to confirm that the RTAB received the documents.

VI. Board Comment

Dr. Johnson stated there was a letter sent from the RTAB Chair to Muskegon Heights Board of Education and Muskegon Heights Public School Academy System Board of Directors. She indicated that all RTAB members were not consulted before this was sent to the appropriate stakeholders. Chair Thomas responded to Dr. Johnson stating that she is currently in the phase of receiving all appropriate documentation and assessing the contracts. Trinell Scott, Board President of Muskegon Heights Public Schools, spoke that she has presented all information asked at this point of time and would like the RTAB to be mindful of the timeline of the upcoming school year and the impact this may have.

Mr. Schrier requested Chair Thomas to add the following points: ways to expedite paying off the long-term debt of the district, exploring lower interest rates on emergency loans, and a update on exploring a worst case scenario budget under Old Business at the July 15, 2020 RTAB meeting.

VII. Adjournment

There being no further business, Chair Jessica Thomas adjourned this meeting at 4:40 p.m.