

# DETROIT FINANCIAL REVIEW COMMISSION

## SCHOOL DISTRICT REGULAR MEETING

Monday, December 17, 2018  
Following the City Regular Meeting  
(Begins no earlier than 1:05 p.m.)  
Cadillac Place, Suite L-150  
3062 West Grand Boulevard  
Detroit, MI 48202

### MINUTES

**Approved: February 11, 2019**

#### **I. Call to Order**

Chairman Nick Khouri called the meeting to order at 1: 12 p.m.

#### **II. Roll Call**

##### Members Present – 8

Darrell Burks (via teleconference)  
Stacy Fox  
Nick Khouri  
Bill Martin  
David Nicholson  
Iris Taylor  
Nicholai Vitti  
John Walsh (via teleconference)

##### Members Absent – 3

Mike Duggan (non-voting)  
Brenda Jones (non-voting)  
Ike Mckinnon

Let the record show that 8 Commission members eligible to vote were present. 6 participated in person, and 2 participated via teleconference. A quorum was present.

#### **III. Approval of Proposed Minutes from the November 19, 2018 School District Meeting**

Motion made to approve the draft minutes of the Commission's November 19, 2018 School District Meeting as presented. Motion moved and supported, the Commission approved the minutes of the November 19, 2018 meeting as presented.

#### **Old Business – None**

#### **IV. New Business**

##### **a. DPS Financial Report**

Chief Financial Officer Jeremy Vidito presented the Financial Report for DPS and stated that DPS is primarily a wind-down entity whose purpose is the satisfaction of legacy debt obligations.

He further stated that The District's cash and debt payment forecast report shows projected revenues for FY 2019 of \$73.6 million and expenditures related to emergency

loan and bond payments of \$41.4 million. Tax collections for October were \$2.9 million from the 13 mills levy and \$3.3 million from the 18 mills levy. Expenditures for October were \$43.0 million which consisted of the bond payment due for the 13 mills debt obligation and \$15.0 million which consisted of the Series 2016 D1 and D2 bond payment for the 18 mills debt obligation. DPS's cash balance for October and November is 5.6 million and 5.8 million respectively, and the projected year-end cash balance for FY 2019 is \$5.0 million. He addressed questions from the Commission.

**b. Presentation of the Community District's Monthly Financial Report**

Chief Financial Officer Jeremy Vidito presented the monthly financial report and stated that based on actual results through October 2018, DPSCD have a surplus of \$42.3 million of revenues over expenditures, but the projected budget showed a \$39.3 million surplus, which is a \$3.1 million positive variance. The District is behind plan by \$17.3 million on the October YTD in the receipt of budgeted revenues but was offset by expenditure savings in purchased services, due to contracted vendors not being able to provide adequate levels of staffing for special education services.

Mr. Vidito also reported that DPSCD's cash balance as of October 31, 2018, is \$152.9 million and the projected year-end cash balance for FY 2019 is \$197.9 million, the District's internal service and fiduciary account cash balance is \$25.3 million, and the projected year-end cash balance for FY 2019 is \$17.3 million. He addressed questions from the Commission.

**c. Financial Audit -Update**

Mr. Vidito gave a brief update of the DPSCD FY 2018 audit, noting that The Districts' FY 2018 audit report was filed by the required November 1<sup>st</sup> deadline. The District's audited FY 2018 financial statements reflect a surplus of \$49.1 million of revenue over expenditures and an audited year end fund balance of \$141.0 million, which is comprised of: Unrestricted fund balance of \$85.4 million; Transitional funding of \$16.5 million; Rainy day fund of \$35.3 million based on 10 percent of state aid per board policy, audited state aid revenue received is \$353.3 million, and Non-spendable prepaids of \$3.8

The audit revealed that the District has significant material weaknesses and material noncompliance. These material weaknesses and material noncompliance were primarily the result of poor General Ledger (GL) internal controls and noncompliance with federal grant program spending and monitoring. The District is currently working on a corrective action plan to address the audit findings and intends to implement the plan to ensure corrective action occurs by the year end of FY 2019.

**d. FY 2018 Grants Update**

Mr. Vidito gave a brief update of the District's FY 18 Grants, noting that the total grant revenue available in FY 2018 is \$182.3 million, and \$139.7 million of this money has been spent (77 percent).

There are \$42.7 million in funds remaining, the District lost \$0.4 million in revenue as specific grants do not have a carryover period and must be spent within 12 months.

**e. DPSCD Finance Restructure and Workplan Update**

Mr. Vidito gave an update on the District's Finance Restructure and Workplan, noting that The District performed an initial assessment of the current processes, procedures and staff's roles and responsibilities across the organization. The District put a reorganization and work plan in place for the finance department, which resulted in the shift of positions, creation of new positions and bringing outsourced positions back in house.

**f. Consideration of the Community District's December 2018 contract approval requests per MCL 141.1636 (6) (FRC School District Resolution 2018-33)**

Public Act 181 of 2014 requires the Financial Review Commission to review and approve contracts meeting any of the three criteria: 1) the contract exceeds \$750,000; 2) the contract has a term exceeding 2 years; and 3) multiple contracts within a single entity that exceed \$750,000 in aggregate.

Chief Financial Officer, Jeremy Vidito gave a brief overview of the Community District's 2 contract approval requests and addressed questions from the Commission. All contracts have been reviewed by the FRC Advisory Subcommittee on Contracts and Procurement.

Motion made to consider and approve the 2 Community District's December 2018 contract approval requests (FRC School District Resolution 2018-33). Motion moved and supported. The Commission approve School District Resolution 2018-33 as presented.

**g. Consideration of the Community District's December 2018 out-of-state travel reimbursement requests per MCL 141.1637 (q) (FRC School Resolution 2018-34)**

Public Act 181 of 2014 requires the Financial Review Commission to review and approve the Community District's out-of-state travel reimbursements to school board members, officials, and employees. Mr. Vidito presented 1 request for the month of December 2018 for the Community District.

Motion made to approve the Community District's December 2018 out-of- state travel reimbursement request (FRC School District Resolution 2018-34) as presented. Motion moved and supported. The Commission approved School District Resolution 2018-34 as presented.

**V. Public Comment**

Michelle George

**VI. Next Meeting Date**

School District Regular Meeting: January 28, 2019, following the City Meeting, beginning no earlier than 1:05 p.m. at Cadillac Place, 3062 West Grand Boulevard, Suite L-150, Detroit, MI 48202.

**VII. Adjournment**

Motion made to adjourn. Motion moved and supported, the Commission approved the motion to adjourn.

There being no further business, the meeting adjourned at 1:50 p.m.

FRC Committee Monthly Meeting  
 School District  
Resolution Roll Call  
 Monday, December 17, 2018

FRC 12/17/2018 Meeting (DPSCD)	School District Resolution 2018-33 (Consideration of SD December Contracts Requests)  Roll Call	School District Resolution 2018-34 (Consideration of SD December out-of-state travel Requests)  Roll Call
Mr. Burks	Yes	Yes
Ms. Fox	Yes	Yes
Mr. Martin	Yes	Yes
Mr. Khouri	Yes	Yes
Mr. McKinnon	Absent	Absent
Mr. Nicolson	Yes	Yes
Ms. Taylor	Yes	Yes
Mr. Vitti	Yes	Yes
Mr. Walsh	Yes	Yes

Signed by: *B. Greaves*  
 Beverly C. Greaves- Secretary

Date: 12/17/2018