

**Audit and Risk Management Advisory Committee (ARMAC) Meeting  
Jefferson County Public Schools**

January 14, 2026

Location: Stewart Auditorium

**ARMAC Members Present**

Chair James Rose, Vice Chair Rhonda Mitchell, Dr. Eric Russ, Jenna Cowley, Wilbert Whitfield

**JCPS Staff Present**

Dr. Brian Yearwood (Superintendent), Dr. Katy Deferrari (Chief of Staff), Eddie Muns, (Chief Financial Officer), Cecil Comstock (Executive Administrator of Accounting), May Porter (Director of Internal Audit), Dr. Jason Detre (Executive Administrator of Budget), Sam Zaritsky, Chalynn Comage, John LeMaster, Sonya Miller, and Gina Thompson (Internal Audit)

**External Consultants**

Alvarez & Marsal: Noah Wepman (Senior Director), Jesse Gronwall

**Board Members Present**

Vice Chair James Craig, Member Linda Duncan, Member Gail Logan-Strange and Member Taylor Everett

**Call to Order and Approval of Minutes**

Chair James Rose called the meeting to order at 1:53 p.m. and confirmed a quorum. A motion to approve the minutes of the October 2025, meeting was made by James Rose and seconded by Wilbert Whitfield. The motion carried by unanimous voice vote.

Chair Rose outlined the focus of the meeting, noting that the agenda would center on district budget and financial issues, including: (1) Superintendent Yearwood's overview of the district's fiscal position and proposed realignment efforts; (2) presentation by Alvarez & Marsal of the Independent Forecast Verification; and (3) review of the FY 2026 draft budget by Chief Financial Officer Eddie Muns.

**Superintendent's Overview of District Financial Position – Dr. Brian Yearwood**

Dr. Yearwood provided a detailed overview of the district's current financial condition and the rationale behind the administration's proposed realignment and budget actions. He stated that upon assuming the superintendent role, he inherited a structural deficit estimated at approximately \$188 million. He emphasized that the deficit developed over multiple years as recurring expenditures increasingly outpaced recurring revenues, particularly where initiatives and positions funded by temporary sources became ongoing obligations.

Dr. Yearwood explained that the administration has identified a need to close approximately \$132 million of this gap to stabilize the district's finances and avoid deeper disruption in future fiscal years. He stressed that the proposed reductions are not intended as cuts for their own sake, but rather as part of a broader effort to restore fiscal discipline, compliance, transparency, and public trust.

He described the guiding principles used in developing the proposed reductions, including a focus on student success, sustainability, equity, transparency, and shared responsibility across divisions. Dr. Yearwood noted that the proposed reductions include approximately \$44 million in central office staffing changes, affecting several hundred positions, along with additional programmatic reductions developed collaboratively by cabinet members and division leaders.

Dr. Yearwood discussed the administration's intent to reduce bureaucratic layering at central office, explaining that the growth of administrative layers over time has slowed communication, reduced

efficiency, and diluted accountability. He stated that the proposed organizational changes are designed to streamline reporting structures, improve clarity around roles and responsibilities, and create more direct lines of support between central office and schools.

He also addressed proposed changes to instructional coaching, school safety staffing, and other school-based support roles. Dr. Yearwood explained that the administration is seeking to shift toward a more centralized, data-driven deployment model that emphasizes training, consistency, and measurable return on investment. He noted that while these changes are difficult and disruptive, they are intended to improve instructional quality and better align resources with student needs.

ARMAC members and board members engaged Dr. Yearwood in discussion regarding change management, academic outcomes, and risk. Chair Rose asked how the district can reasonably expect to improve academic performance amid significant organizational change. Dr. Yearwood responded that sustainable improvement requires systemic change, stronger use of data, and time, noting that meaningful academic gains typically occur over a three- to five-year period.

Questions were also raised regarding safety staffing, centralization of functions, and the potential impact on schools with differing needs. Dr. Yearwood acknowledged these concerns and stated that the administration will closely monitor outcomes, particularly in areas related to safety, instructional support, and student behavior. He emphasized that the administration intends to use data and ongoing evaluation to assess whether changes are achieving their intended results and to make adjustments as needed.

Dr. Yearwood concluded by reiterating that the district must address its fiscal reality in order to create long-term stability and improve student outcomes, and that the proposed actions represent the foundation of a broader strategic reset that will be further developed through a formal strategic planning process.

#### **Independent Forecast Verification – Presentation by Alvarez & Marsal**

Noah Wepman and Jesse Gronwall of Alvarez & Marsal presented the results of the Independent Forecast Verification engagement. Mr. Wepman explained that the engagement was designed to provide an independent assessment of the district's multiyear financial forecast model, focusing on the accuracy, reasonableness, transparency, and reliability of the data, assumptions, and methodologies used.

Mr. Wepman noted that, relative to many peer school districts, JCPS is ahead of the curve in having a multiyear forecasting tool. He explained that many districts plan on a year-to-year basis and lack any formal long-term financial model. However, he emphasized that the existence of a model alone does not guarantee that it is sufficiently detailed or reliable for all planning purposes.

The Alvarez & Marsal team explained that the current model performs reasonably well in forecasting near-term outcomes, including end-of-year results for the current fiscal year and short-term cash-flow needs. Where the model becomes less reliable is in projecting structural deficits multiple years into the future, particularly for FY 2027 and beyond.

Mr. Gronwall described key findings related to data consistency, noting that differences in categorization and presentation across the audited financial statements, working budget, and forecast model make reconciliation difficult for board members and the public. Certain items, such as on-behalf payments, are treated inconsistently across documents, which can obscure the true scale of revenues and expenditures.

The presenters also discussed assumptions embedded in the model related to revenue growth, expenditure trends, vacancy savings, and non-personnel costs. They noted that while many assumptions are directionally reasonable, several are hard-coded or insufficiently documented, limiting transparency and making it difficult to assess how sensitive the forecast is to changes in underlying conditions.

Alvarez & Marsal explained that the current model uses a largely top-down structure, starting with an aggregate deficit and applying broad adjustments. While this approach can be useful for high-level scenario planning, it is less effective for detailed budget development, identification of specific cost drivers, or evaluation of program-level return on investment.

The team emphasized that their engagement did not include developing an independent forecast of the FY 2027 deficit or constructing a new financial model. Rather, their role was to assess whether the existing tool is fit for its intended purpose and to identify opportunities for improvement.

ARMAC members asked questions regarding how the model compares to those used in other large districts and how forecasting complexity in public education compares to the private sector. Mr. Wepman responded that school district finance is highly complex due to multiple revenue sources, restricted funds, and people-driven cost structures, and that improving long-term forecasting accuracy requires incremental refinement over time.

The presenters concluded by recommending that the district clarify the intended use of the forecast model, improve data consistency and documentation, refine assumptions, and consider whether a more detailed, bottom-up forecasting approach may be necessary if the district wishes to rely on the model for long-term structural planning and decision-making.

#### **FY 2026 Draft Budget Overview – Eddie Muns, Chief Financial Officer**

Mr. Muns provided a detailed overview of the FY 2026 draft budget and the statutory budget development timeline. He explained that the draft budget is required by law to be submitted by January 31 each year and represents a specific point in time. Unlike other budget presentations later in the cycle, the draft budget includes only recurring revenues and recurring expenditures and excludes one-time projects and temporary funding sources.

Mr. Muns outlined the sequence of upcoming budget milestones, explaining that enrollment projections and school allocation standards would be presented to the Board in advance of finalizing school-level budgets. Following Board review of the draft budget, projected allocations will be applied to enrollment estimates and distributed to schools for local budgeting decisions. Those inputs will then be consolidated into the tentative budget presented in May, with the final budget, including the tax rate, presented in September.

He emphasized that student instruction remains the foundation of all budget documents and allocation decisions. Mr. Muns reviewed key assumptions embedded in the draft budget, including projected property tax assessment growth, assumptions regarding state SEEK funding, and relatively stable expenditure trends pending final approval of organizational changes and reductions.

Mr. Muns noted that, at the time of the presentation, draft budget expenditures exceeded revenues. He explained that approximately \$43–44 million in additional budget reductions related to organizational changes had not yet been fully incorporated, as those reductions are contingent on Board approval of revised organizational charts. Once approved, those reductions would further reduce the expenditure base reflected in the draft budget.

Significant discussion followed regarding the role of vacancy savings, carryover funds, and other non-structural offsets. Committee members asked clarifying questions about the extent to which vacancy credits are assumed in the budget, how those savings are monitored during the year, and whether reliance on vacancy savings presents risk if hiring accelerates or labor market conditions change.

Mr. Muns acknowledged these concerns and explained that vacancy savings, while not a substitute for structural balance, have historically contributed to offsetting budget gaps. He stated that the administration

is monitoring vacancy trends closely and is using more conservative assumptions than in prior years. He also noted that vacancy savings are supplemented by other factors such as carryforward balances and expenditure controls, rather than being relied upon in isolation.

Questions were also raised regarding the district's forward-looking cash-flow position and how the FY 2026 budget sets the stage for future fiscal years. Mr. Muns explained that enhanced expenditure monitoring, strengthened contract controls, and continued scrutiny of discretionary spending are intended to prevent a return to unsustainable practices. He stated that the administration has been directed to distinguish clearly between essential and "nice-to-have" expenditures and to maintain heightened oversight even after the immediate reduction targets are achieved.

In response to questions about longer-term outlook, Mr. Muns discussed projected improvements in cash flow over the next several fiscal years, assuming no significant unanticipated disruptions. He indicated that the FY 2026 budget is intended to stabilize the district's financial position and improve liquidity, particularly during historically constrained periods such as the fall months prior to property tax collections. He noted that internal cash-flow modeling shows improvement relative to prior projections and that these models are being used to inform management decisions.

Committee members discussed the use of short-term lines of credit as a cash-management tool, and Chair Rose emphasized that timing mismatches between expenditures and tax receipts are a common feature of large public organizations and should not be mischaracterized as insolvency. Mr. Muns concurred, explaining that such tools, when used appropriately, support liquidity management rather than signaling financial distress.

Mr. Muns concluded by reiterating that the FY 2026 draft budget reflects a transition toward greater fiscal discipline and transparency, and that continued monitoring, Board oversight, and refinement of assumptions will be critical as the budget moves through subsequent phases of development.

### **Adjournment**

Chair Rose thanked participants for their collaboration. The meeting adjourned at 3:54 p.m.