Audit and Risk Management Advisory Committee (ARMAC) Meeting
Jefferson County Public Schools
May 6, 2026
Location: Stewart Auditorium

ARMAC Members Present

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

JCPS Staff Present

Dr. Tom Aberli (Interim Chief Financial Officer), Dr. Jason Detre (Executive Administrator of Budget), Melissa Harris (Supervisor of Budget), Cecil Comstock (Accounting Executive Administrator), Katy Deferrari (Chief of Staff), May Porter (Director of Internal Audit), Sonya Miller (Internal Audit)

External Consultants

Chip Sutherland (R.W. Baird), Dwight Salsbury (RSA Advisors)

Board Members Present

Taylor Everett, Linda Duncan

Call to Order and Approval of Minutes

Chair James Rose called the meeting to order at approximately 2:00 p.m. and confirmed a quorum, noting that Jenna Cowley would be arriving shortly. Chair Rose confirmed that Board Members Taylor Everett and Linda Duncan were the only Board members in attendance. Hearing no questions regarding the minutes of the prior meeting, a motion to approve was made and seconded, and the motion carried.

Tentative Budget – Dr. Tom Aberli, Interim CFO, and Dr. Jason Detre, EA Budget

Dr. Aberli introduced himself as Interim Chief Financial Officer, noting his prior role as Director of Budget, and introduced Dr. Jason Detre, Executive Administrator of Budget, and Melissa Harris, Supervisor of Budget. He explained that the district's budget moves through three annual cycles: a January draft budget based primarily on school allocations and salary costs (over 85% of the total budget); the tentative budget, reflecting changes since the draft, including the Board-approved organizational restructuring; and the final working budget, approved in September once the district's July 1 fund balance is known.

On revenue, Dr. Aberli reported an anticipated $20 million reduction in state SEEK funding, driven by rising property tax assessments (which reduce SEEK under the state formula) and a projected enrollment decline of nearly 1,600 students, partially offset by recent increases in the state's per-pupil SEEK base. He noted the Board's property tax revenue increase is capped at 4% over the prior year on existing property, with additional revenue possible only from new construction, and that approximately $300 million in "state-paid benefits" pass through district accounting without appearing as district cash.

On expenses, Dr. Aberli reported approximately 73.5% of the general fund supports schools directly, with 9% in operations, 5% combined across Academics/ECE/Opportunity and Access, 4% in utilities, and less than 3% in central administrative offices.

Dr. Aberli and Dr. Detre reported that the district's recent budget reduction and reinvestment effort achieved $115.8 million in reductions against a $132 million goal, with approximately

$80 million applied toward deficit reduction and the remainder reinvested in previously deferred needs, including facilities. He noted the annual Facilities Improvement Fund had been increased from its historical $7 million baseline as part of that effort, though total facilities need across the district exceeds $1 billion.

Ms. Deferrari described a transparency tool in development for the Board and public website, tracking department-level budgets by code across the organizational restructuring so that funding can be followed consistently regardless of which division a department moves under, allowing an "apples to apples" comparison of whether reductions were actually achieved. Board Member Everett requested the committee's feedback on whether the tool was clear and effective once complete.

Discussion also addressed how the district evaluates return on investment (ROI) for academic and support programs. Ms. Deferrari and Dr. Russ noted that ROI evaluation should compare similar programs against one another rather than simply deciding whether to continue or discontinue a given program in isolation, since many interventions (e.g., academic enrichment, mental health counseling, engagement-focused programs) function as an interconnected package rather than independently. Dr. Russ suggested the district needs a way to both internally evaluate and publicly communicate how these interconnected interventions collectively support academic achievement and student experience, rather than assessing each in isolation.

Dr. Aberli distinguished between fund balance (a point-in-time accounting measure of revenue over expenses) and cash and investments on hand, noting the two are correlated but distinct, and presented multi-year forecasts showing an anticipated dip in both through the 2027 and 2028 fiscal years, with a projected rebound contingent on continued fiscal controls. He reported the district's current contingency reserve at approximately 5%, above the state-required minimum of 2%.

Dr. Russ asked what factors beyond fund balance and enrollment could change between the tentative and working budget, and asked about the district's process for tracking deferred maintenance needs, including facilities and bus fleet replacement, suggesting that future budget materials include a multi-year asset replacement schedule so the committee can evaluate whether current funding is adequate. Dr. Aberli confirmed the district has funded $7 million annually toward bus replacement for the past three years. Chair Rose suggested the district consider establishing a formal policy defining target ranges for contingency, fund balance, and deficit reduction, referencing Government Finance Officers Association (GFOA) guidance, to allow consistent year-over-year evaluation.

Line of Credit Information Session – Cecil Comstock, Accounting Executive Administrator; Chip Sutherland, R.W. Baird; and Dwight Salsbury, RSA Advisors

Mr. Comstock briefly introduced the topic before turning the discussion to the district's external financial advisors. Mr. Sutherland and Mr. Salsbury explained that Kentucky statute limits how public school districts may borrow short-term funds; a conventional bank line of credit is not permitted. Districts facing a temporary cash-flow gap ahead of property tax collections may instead issue a tax anticipation note, and reported that JCPS's advisors had structured this specifically as a "draw note," under which the district would authorize a maximum amount but draw funds, and pay interest, only as needed. They noted JCPS had used tax anticipation notes in past years and that the mechanism is common among large organizations nationally, citing approximately $35 billion in such notes issued nationwide last year.

The advisors characterized the note as a routine treasury management tool, comparable to a personal home-equity line of credit used to bridge a temporary timing gap, rather than a sign of financial distress, and noted the district's current bond ratings reflect high investment-grade status. Dr. Aberli confirmed the district does not anticipate needing to draw on the note but considers it prudent to have the mechanism available given the concentration of property tax revenue in a roughly six-week window each November and December. In response to a question from Ms. Duncan, Dr. Aberli confirmed the annual cash dip before property tax collections is a normal, recurring pattern.

Board Requested Fiscal Administration and Budget Shortfall Management Response – Dr. Tom Aberli, Interim CFO

This agenda item was largely superseded by an extended discussion, prompted by a question from Board Member Everett, regarding how the district defines a "balanced budget." Dr. Aberli and Dr. Russ walked through the distinction between the tentative/working budget (which must show a technically balanced position, in part using prior-year fund balance) and the district's underlying structural deficit, in which recurring expenses currently exceed recurring new revenue. Dr. Aberli confirmed that, assuming Board approval of the maximum permissible 4% property tax increase, the district can anticipate approximately $30 million in additional property tax revenue annually, and that closing the remaining gap over time, rather than relying on fund balance to bridge it every year, would constitute a balanced budget. Discussion of the Plante Moran management responses specifically was not substantively addressed under this item.

Adjournment

Due to time constraints, the Internal Audit Update (Item 6) and New Business (Item 7) were not reached. Committee members acknowledged the time and indicated that Ms. Porter would present at the beginning of the next meeting. The meeting adjourned at approximately 4:01 p.m.

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