Financial Leadership and Analysis for Florida School Finance Officers

FSFOA Fall Conference
Double Tree Universal - Orlando
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AGENDA

- Introductions
- Role of Today’s Florida School CFO
- Strategic Financial Leadership
- Key School District Financial Metrics
- CFO’s Leadership Impact
- Questions and Comments

Introductions

- My Background
  - 34 years of experience in Florida K-12 finance and operations
  - Brevard (16 years), Indian River (5 years) and St. Johns (13 years)
  - Experienced in all facets of school district operations
  - Positions held include CFO, Deputy Superintendent and Chief of Staff
- Credit and Disclaimer on Material Presented
  - Based on my experience and opinion

Role of CFO

Chief	Creative	Controlling
Financial	Fearless	Frustrating
Officer	Optimistic	Overbearing

Today's CFO

- Strategic financial advisor to the Superintendent and Board
- Guardian of the District's financial stability and integrity
- Leader in operational efficiency
- Navigator of the District's financial regulatory environment
  - FEFP, TRIM, Florida Law, FDOE Regs., Post-Issuance Compliance
- Communicator of complex financial issues and matters

CFO Responsibilities

- Managing district resources
- Capital Planning – from project conception to financing
- Leading and managing through enrollment changes
- Leading and managing through population shifts
- Ensuring audit readiness and transparency (not just in finance)

CFO Responsibilities

- Preparing and presenting year end financials/ACFR
- Leader of the district's debt management program
- Involved in school budgeting and staffing plans
- Manage your department's staff development plan
- Pretty much anything else that gets thrown your way

Strategic Financial Leadership

- The ability of a financial leader to use financial data, forecasting and analysis to guide organizational strategy, influence decision-making, manage risk and ensure long-term stability in support of the District's mission and vision.
- What does this mean?
- How do I get there or get better at it?

Leadership and Management

Leadership

People, context and culture
Preferred future, principles and purpose
Commitment
Strategic planning
A way of “being”
Serving
Initiating and originating
Innovative breakthroughs to “what could be”

- ***Management***

- Systems, processes and technology
- Goals, standards and measurements
- Control
- Implementation
- A way of “doing”
- Directing
- Responding and reacting
- Continuous improvement of “what is”

Steps to Strategic Financial Leadership

- Move from “budget manager” to a “strategic partner”
- Know the instructional priorities of the District and mold financial decision-making around them
- Use data, metrics, analytics, trends and forecasting to support and guide those decisions
- Anticipate and communicate any long-term implications of any short-term decisions

Steps to Strategic Financial Leadership

- Establish a decision-making framework
  - Review financial impact of ideas “on the table”
  - Ask whether or not it is operationally feasible?
  - Ask whether or not it is aligned to instruction?
  - What are the risks of implementing this decision or not?
  - How are we going to communicate to our stakeholders?

Steps to Strategic Financial Leadership

- Play out the scenarios
  - What are our enrollment trends and projections?
  - What are the current year legislative funding changes?
  - What does our staffing look like?
  - What is the status of our bargaining agreements and related issues?
  - What technology is needed to implement this decision, if any?

Steps to Strategic Financial Leadership

- Risk management and compliance
  - Review legislative changes and any Board policy implications
  - Review audit findings three months or so after publication for progress
  - Review purchasing and contract compliance periodically
  - Review cybersecurity with IT chief to ensure against any future issues
  - Review and monitor project reports as necessary

Steps to Strategic Financial Leadership

- Communication
  - Board, Superintendent, senior staff/cabinet, District/school staff, parents and community-at-large
- Communicating financial information can be challenging
- We need to simplify complex financial concepts
  - Use visuals – charts, graphs, trendlines, pie charts, etc.
  - Use the BLUF method, whenever possible
- Always anticipate questions – review with staff ahead of time to ferret out questions

Steps to Strategic Financial Leadership

- Build trust with stakeholders
  - Always use the “Four Ts” – “Tell Them The Truth”
  - Disclose any assumptions used
  - Be sure there are no surprises in your presentation
  - Be sure to demonstrate stewardship as well as ownership
- Tell everyone who will listen – we have a story to tell!
- ***Always*** be transparent – in the final analysis, it will never hurt you

Steps to Strategic Financial Leadership

- Build trust with stakeholders
  - Working as a team is imperative
  - Break down, and keep down, silos
  - Remind team members that success is a shared responsibility
  - Train your non-financial folks about these complex issues so they understand how to discuss them, at their level, when you're not around

Steps to Strategic Financial Leadership

- Build a high performing financial team
  - Use the “Three-Legged Stool” hiring method
  - Hire analytical and/or critical thinkers
  - Provide relevant professional development
  - Encourage **and** allow them to create solutions to problems on their own
- Be cognizant of your succession plan
- Build a culture of excellence
  - Have a growth mindset, be service oriented and work collaboratively

Key School District Financial Metrics/KPIs

Why Keep Track of Any Metrics?

- Monitor the District's financial solvency
- Monitor and improve operational efficiencies
- Assists in staying on track with the Board's Strategic Plan

Financial Condition Ratio

- What is it?
  - A measure of unrestricted fund balance as a percentage of total revenues
- Why is it important?
  - It is the single most prominent indicator of your District's financial health and ability to withstand sudden downward pressures on the budget
- How to use it?
  - Benchmark against comparator districts, anticipate cash flow issues and communicate with stakeholders

Financial Condition Ratio

- Who – Board, unions, rating agencies and other interested parties
- What – it measures the financial health and cash flow strength
- Where – it’s in the notes to the financial statements/CFO
- When – TRIM season, negotiations, impasse and debt transactions
- Why – because many decisions are based on its value

Unassigned General Fund Balance

- What is it?
  - The portion of fund balance not classified elsewhere and is available at management's discretion
- Why is it important?
  - It is a component of the FCR and is a key liquidity and solvency factor
- How to use it?
  - Acts as a buffer for revenue shortfalls, unexpected enrollment shifts and other emergency related expenditures

Total Revenue per FTE

- What is it?
  - Funding generated through the FEFP and other sources on a per FTE basis
- Why is it important?
  - It is the principal operating resource for the District and needs to be tracked on an on-going basis so we see any trends from year to year, including the annual net change
- How to use it?
  - Model the operating budget using the current year change (+/-) and communicate its impact on upcoming fiscal year's operating budget

Total Operating Cost per FTE

- What is it?
  - General operating costs on a per FTE basis
- Why is it important?
  - It is the principal measure of how much it takes to operate the whole District for each FTE
- How to use it?
  - Needs to be tracked annually to see any trends from year to year

Enrollment Growth Rate (FTE and COFTE)

- What is it?
  - Annual net change in FTE enrollment
- Why is it important?
  - The number of students you have drives the FEFP, staffing levels, facility needs, transportation, etc.
- How to use it?
  - Compare to surrounding districts and see any trends, use it for capital planning purposes and related long-term financial planning as well as to predict any structural deficiencies in case of pending declines

Capital Outlay Revenue and Debt Capacity

- What is it?
  - The revenue generated pursuant to S. 1011.71(2), F.S. and the related maximum allowed to be used for debt service payments under a lease-purchase agreement
- Why is it important?
  - This funding is the primary source for such purposes and needs to be tracked and projected with as much accuracy as possible to plan and maintain the long-term capital plan
- How to use it?
  - Monitor millage revenues due to changes in property values and maintain coverage requirements for existing debt and plan appropriately for future debt issues

Taxable Assessed Valuation

- What is it?
  - The amount of taxable property value that is used as the base for the RLE calculation, voted operating millage and the capital outlay millage
- Why is it important?
  - It is the most significant component of the FEFP formula and the primary source of recurring capital funding
- How to use it?
  - Track it to inform the Superintendent, the Board, senior staff and other stakeholders as to what trends are looking like and where you predict they are going

Expenditures by Function

- What is it?
  - The amount of funds spent in each functional category within the General Fund (i.e. - Instruction, Student Support Services, Admin., Transportation, Operation of Plant, etc.)
- Why is it important?
  - It shows how the District spent its money by function
- How to use it?
  - Track it to identify cost drivers and any misalignment in priorities, compare to comparator districts to see how much is spent on Instruction, for example

Expenditures by Object

- What is it?
  - The amount of funds spent in each object category within the General Fund (i.e. – Salaries, Benefits, Purchased Services, Energy, Materials & Supplies, Capital Outlay, etc.)
- Why is it important?
  - It shows how the District spent its money by object
- How to use it?
  - Track it to identify cost drivers and any misalignment in priorities, compare to comparator districts to see how much is spent on Salaries & Benefits, for example

Transportation and Utilities

- Transportation
  - Average Bus Occupancy (ABO)
  - Cost per Rider vs. Revenue per Rider
  - Cost per Route

- Utilities
  - Cost per Ft^2 (electric, water/sewer, etc.)
  - Cost per Student
  - Consumption vs. Demand

CFO Leadership Impact

- Maintaining long-term financial stability
- Maximizing resources to fulfill the mission
- Maximizing operational efficiency which leads to savings
- Managing the risks and maintaining compliance
- Building trust through transparent communication

Conclusion with Churchill and Jordan

- “Success is not final, failure is not fatal: it is the courage to continue that counts.”
- “I’ve failed over and over and over again in my life and that is why I succeed.”
- “Success is stumbling from failure to failure with no loss of enthusiasm.”
- “I can accept failure, everyone fails at something. But I can’t accept not trying.”

Thank you!

Questions/Comments/Discussions

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