

Independent School District 196
Rosemount-Apple Valley-Eagan Public Schools
Educating our students to reach their full potential

Budget Advisory Council Minutes
6:30 p.m., March 9, 2016

Present: Budget Advisory Council members Kathy Cason, Jason Elias, Grace Keliher, Chris Knight, Gary Krueger, Chad LaBahn, Jeff Little, Chas McCready, and Chris Wong; Director of Finance and Operations Jeff Solomon and Coordinator of Finance Stella Johnson; School Board Audit and Finance Committee member Bob Schutte. **Absent:** Budget Advisory Council members Karen Harrold, Kris Nelson and John Wollersheim.

Co-chair Jeff Little called the meeting to order at 6:30 p.m.

Public Input

No one was present in the audience.

Review Agenda

"Update of the Bond Sale" was added to the agenda and then the agenda and the January 13, 2016 minutes were approved.

State of Minnesota February Budget Forecast

Mr. Solomon shared the February Minnesota Budget and Economic Forecast handout. He pointed out that in November 2015 the state was forecasting a \$1.2 billion budget surplus, which has been lowered to \$900 million as of February 2016. This was mainly due to a slower than expected economic growth which lowers the tax revenue forecast. Mr. Solomon stated this was not a significant change and feels the state is still in a good financial position.

Year-to-Date Performance to Budget

The expenditure trending graphs showing the district's performance-to-budget by fund and object code was shared with the council. As of February, the district is performing approximately \$10 million better than budget. Mr. Solomon reminded the BAC that one of the assumptions used for the five-year plan was that the district would perform \$8.5 million better than budget and we are on track to do so.

School Board Direction on Five-Year Plan Scenario

At the last BAC meeting the council suggested three scenarios for budget assumptions for Mr. Solomon to present to the School Board for consideration as the five-year plan is formulated. The School Board supported the increase in basic funding formula of 1.5%. He shared the financial planning model and pointed out that with the assumptions the board agreed to, the plan indicates no budget adjustments until the 2018-19 school year. He reminded the council that the planning model does not take into consideration any savings from budget that may occur in years 2016-17 or 2017-18. This plan more than fulfills the commitment the School Board made to the community in 2013 of no budget adjustments for at least two years.

Bond Sale

At the January 20 School Board meeting the results of the bond sale were announced. The district timed the sale well since the district was able to obtain an interest rate of 2.09%, approximately 1.25% less than anticipated. This lower interest rate will save taxpayers \$17 million in interest over the life of the bonds.

The funds were received in mid-February and after careful review of the proposals received for an investment advisor, PFM Asset Management LLC was chosen. Ms. Johnson thanked John Wollersheim, Chad LaBahn, and Chris Knight for being part of the selection team. The funds are invested according to the draw schedule

provided by the construction management company. \$5 million is invested in a short-term money market fund to provide flexibility in case of unexpected expenses.

Ms. Johnson shared the 2016A Construction Bond Account recap provided by PFM, showing the portfolio statistics, sector distribution and maturity distributions versus estimated draws. She pointed out the estimated net earnings is close to \$1.6 million which can be used to supplement our bond projects.

New Elementary Site and Bond Referendum Projects Schedule

Mr. Solomon shared the process the district went through to identify potential sites for the new elementary school. Thirteen sites were initially identified. Criteria included being in the south or southeastern part of the district to accommodate current and future enrollment demands, road access, sewer/water and 20-25 acres. After discussion and analysis by district administration and the district's professional team of our real estate advisor, Carlson Commercial, Wold Architects and Wenck Construction, five of the thirteen were proposed for additional consideration. Following discussions with the Facilities Steering Team and superintendent, initially two sites from the five were given priority consideration. After further consideration by our professional team and administration, two additional sites were presented for consideration and discussion. At the January 20, 2016 special meeting the School Board authorized administration to begin negotiations with the owner or the four potential sites. Ultimately, the Traditions site, near 160th and Diamond Path seemed the best site for the new school.

Mr. Solomon shared the site diagram with the council. The district has reached a tentative agreement with Traditions and plans to present a purchase agreement for approval at the School Board meeting Monday, March 14.

A few of the reasons the district believes this is a good choice is the developer will extend Diamond Path to 162nd Street to give access to the school, they will perform the initial earthwork on the site, it is within the budget amount set aside for the land purchase and is surrounded by residential property making it a great neighborhood school that students can walk to safely. There will be an underground tunnel under 160th Street that will connect the Cobblestone Lake neighborhood to the school property.

Mr. Solomon shared the construction and implementation schedule for the safety, space and technology projects from 2016-19. With the purchase of the land for the elementary school and the landowner doing the earthwork, the projects are on schedule. The design process has begun for the elementary school and magnet school additions and security updates are in the planning stage. A link to the bond projects can be found on the district website and will be updated throughout the process.

E3 STEM Grant

Last year the district applied for and received a \$3 million E3 STEM grant from the Department of Labor (DOL) for STEM corridor programming for Valley Middle and Apple Valley High schools. As a direct grant from the Department of Labor to our school district there are stringent reporting rules. This past summer the district had their first fiscal review and there were three findings. The district has been working on responding to those findings. An initial response was sent to the DOL in September 2015, and they said the response was not acceptable. A follow-up response was sent in February and we are awaiting the results.

Ms. Johnson gave detail on the three findings and how we are correcting these items.

Considering the work needed to stay on top of the grants and with the passage of the bond referendum in November adding additional work to the finance department, Mr. Solomon and Ms. Johnson felt an additional position in the finance department was needed. Mr. Solomon met with the superintendent who agreed to the additional administrative position. Joe Bertram's job title has been changed to Manager of Financial Systems,

Reporting and Compliance. Jacob Bosley has been hired as the new controller and will begin on March 28. He will oversee general accounting, including accounts payable and payroll.

OPEB Trust and Investment Update

The value of the OPEB Trust as of January 31, 2016 is \$45,789,270.71.

Next Meeting

The next BAC meeting is scheduled for June 8, 2016, 6:30 p.m. at the District Office

Miscellaneous

A visit to the State Capitol to meet with legislators will be on Tuesday, March 29, 2016. The BAC will be sent a reminder.

Adjournment

The meeting adjourned at 7:40 p.m.