

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

**Budget Advisory Council Minutes**

6:00 p.m., September 14, 2016

District Office

**Present:** Budget Advisory Council members Kathy Cason, Chris Knight, Gary Krueger, Chad LaBahn, Jeff Little, Chas McCreedy, Andy Shornack, Tom Snyder, John Wollersheim and Chris Wong; Director of Finance and Operations Jeff Solomon; Coordinator of Finance Stella Johnson; School Board Audit & Finance Committee members, Gary Huusko, Bob Schutte and Sachin Isaacs. **Absent:** Budget Advisory Council member Karen Harrold and Grace Keliher. **Guests:** Merle Waters, Senior Vice President & Senior Investment Strategist, Wells Fargo Bank and Dan Frankenfeld, Legislative Advisory Council member.

Co-chairperson Chad LaBahn called the meeting to order at 6:00p.m.

**Public Input** –No one was present in the audience.

**Welcome, Introduction** – The BAC welcomed two new members; Andy Shornack and Tom Snyder. In addition, Sachin Isaacs was introduced at the newest School Board member and he serves on the School Board Audit and Finance Committee. Everyone introduced themselves and told a bit about their involvement with the district.

**Review Agenda and Minutes** – The agenda was reviewed and the June 8, 2016 minutes were approved.

**Budget Advisory Council Leadership** – Chad LaBahn and Jeff Little volunteered to serve as co-chairpersons for the 2065-17 school year. All members voted in favor to approve Chad and Jeff as co-chairpersons.

**OPEB Trust Overview/Investment Policy Review/Discussion** –Mr. Solomon began by giving a brief overview of the OPEB (Other Post-Employment Benefits) Trust and how it is used for long-term liabilities including health, life and long-term disabilities insurance.

Senior Vice President/Senior Investment Manager, Merle Waters, of Wells Fargo Bank reviewed the OPEB client summary showing since the inception of the Trust in March 2009, the asset has grown from \$37,147,160 to \$48,996,807 (August 31, 2016). The Trust has had an annualized rate of return from April 1, 2009 to August 31, 2015 of 4.89% and 4.01% year-to-date. Mr. Waters reviewed the executive summary showing meaningful transactions for the last twelve months.

Wells Fargo continues to monitor and rebalance the portfolio as needed. At this time, Wells Fargo is not proposing any changes to portfolio. Mr. Waters said the district might want to look at changing Equity from 40% to 45% and Fixed Income from 40% to 35% in the future. It was suggested that such a change might be helpful in increasing the Trust's long-term rate of return given the historically low-interest rate environment for Fixed Income securities. The BAC did not recommend any formal action or changes at this point, but District staff and the School Board will continue to monitor Trust performance and consider investment allocation adjustments at some point in the future.

**Joint Meeting with LAC-Develop Legislative Priorities** - Mr. Tony Taschner shared the District's 2015 and 2016 legislative priorities, the AMSD 2017 legislative platform survey summary and the 2017 School of Equity for Education legislative platform. The group broke into small groups to make suggestions as to what the district should focus on for priorities for 2017. Since this is a funding year, an increase in the basic funding formula of 1%-2% was high on the list, along with indexing basic funding to inflation. Increase in special education funding and early learning opportunities was a priority. Mr. Taschner and the LAC will compile all the suggestions and plan to present the 2017 priorities to the School Board on December 12. Mr. Taschner also invited BAC and LAC members to the "Day at the Capitol" on February 7, 2017. This is the day school district administrators meet with legislators to discuss priorities.

**Beginning of School Overview** – Mr. Solomon reported that school is off to a great start. Directors of elementary and secondary education reported a positive first week of school. Transportation reported no children getting on or off the wrong bus or at the wrong stop. Many elementary teachers and other employees rode with the students the first few days of school to ensure a smooth experience.

As of September 6, 2016, enrollment of 28,472 is up 590 students over October 1 projections. There is usually a fall off of students between the beginning of school and October 1 when the district reports their official enrollment. Mr. Solomon believes enrollment will drop to 200-250 students over projections bringing enrollment to 28,200 students. Some of this overage can be attributed to families choosing to send their children to all-day kindergarten in our district rather than outside the district. October 1 enrollment numbers will be used to finalize the 2016-17 budget.

**Levy Certification Process** –Mr. Solomon has begun working on the levy certification which is the first step in the budgeting process. He shared a handout containing a summary of the process, proposed payable 2017 property tax levy, school tax calculator and projected impact for payable 2017 tax levy. As of the September 9 calculations, the levy is estimated to increase \$3,407,762.53 or 3.98% from \$85,581,694.57 to \$88,989,457.10. The three main reasons for the change are the inflationary increase on the referendum authority, decreased equalization aid and building lease levy of \$1 million for the new transportation hub facility in Apple Valley. Originally this increase was part of last year's tax levy but due to the City of Apple Valley denying our request to build on a particular parcel of land that amount was pulled from the levy.

Mr. Solomon cautioned that the levy amount he shared is still preliminary and will not be final until the School Board approves it in December.

The School Board will be asked to adopt a levy limitation for Payable 2017 levy at its September 26 regular meeting. At the December 12 School Board meeting the public will have the opportunity to comment on the proposed levy and the School Board will be asked to certify a final levy after input from the public.

Mr. Solomon explained the school tax calculator spreadsheet shows a .03% increase in school taxes to an average valued home in District 196 (if there is no increase in the home value) based on the new levy amount payable 2017.

**2015-16 Audit Update** – Ms. Johnson shared a preliminary audit summary and timeline. The food service and community service funds performed better than anticipated and had a slight increase in fund balance. General fund revenues of \$332.4 million were slightly lower than expenditures of \$333.3 million. Historically the district performs about \$6-\$8 million better than budget in the expenditure category. This year the savings was just \$3.3 million. Administration is aware of this and plans to work with schools and departments to monitor expenditures more closely. The projected June 30, 2016 general fund balance was \$32,354,481. The preliminary audited fund balance is \$31,035,959, \$1.3 million less than projected. Ms. Johnson informed the council members that a draft copy of the district's 2015-16 Comprehensive Annual Financial Report will be presented to the School Board at its October 24 meeting with approval expected at the November 14 meeting.

Mr. Solomon shared that the district's 2016-17 budget includes using \$8 million in fund balance but hopes to perform better to budget so the full amount is not needed. If we were to use the full \$8 million, it would bring the general fund balance close to the minimum of 5%(6.6%).The challenge this year is to monitor expenditures closely and to ensure we have the same type of budget savings that we traditionally have had in the past.

**Financial Plan** –The deficit spending of 2015-16 has not impacted the financial plan performance dramatically but it means the district needs to maintain trend for the financial plan to play out as anticipated. Once the audit is completed, Mr. Solomon will update the financial plan with final numbers and share with the BAC. At the next BAC meeting the committee will be discussing base assumptions for the next financial plan.

**Adjournment** - The meeting adjourned at 8:25 p.m.

