

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. November 9, 2016

District Office

Present: Budget Advisory Council members Kathy Cason, Karen Harrold, Chris Knight, Gary Krueger, Chad LaBahn, Jeff Little, Chas McCreedy, Andrew Schornack, Tom Snyder, John Wollersheim and Chris Wong; Director of Finance and Operations Jeff Solomon and Coordinator of Finance Stella Johnson; School Board Audit and Finance Committee member Sachin Isaacs. **Absent:** Budget Advisory Council members Grace Keliher and Chris Wong. **Guest:** Donn Hanson, PFM Asset Management.

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

Public Input – None

Review Agenda and Minutes - The agenda was reviewed by Mr. Solomon and September 14, 2016 minutes were approved.

Overview of Bond Proceeds Investments – Mr. Solomon introduced Donn Hanson, Investment Advisor at PFM Asset Management LLC. Mr. Hanson shared a handout showing the district's 2016 construction bond account. The portfolio snapshot shows a par amount of \$128,476,429 with estimated net earnings of \$1,598,855. The funds are distributed between federal agencies (43.2%), U.S. treasuries (29.5%), commercial paper (16.4%), certificates of deposit (5.8%) and cash (5%). The estimated draws as of October 31, 2016 were \$12,339,253 versus the actual draws of \$8,723,448. Due to favorable bidding for Elementary School #19, the district had approximately \$2 million more to invest at this time than anticipated. PFM continues to monitor our investments and updates finance administrators as needed.

Audit Review - Fiscal 2016 - A copy of a PowerPoint which will be presented at the November 14 School Board meeting and management report, were given to BAC members for their review. The management report is an executive review of the district financial position and the audit findings, in addition to an overview of the districts performance in relation to other districts in the state. The district received a clean opinion on the basic financial statements. There was one significant deficiency internal controls over financial reporting. Due to a change in staff in the finance department, multiple months of treasurers reports were not reported to the School Board in a timely manner. This issue has been rectified. There was a clean opinion on federal awards and three significant deficiencies identified in the audit testing of internal controls. These issues have been resolved. School Board approval of the Comprehensive Annual Financial Report (CAFR) is expected at its November 14 meeting. The district performed close to projections and used approximately \$880,000 of fund balance. The district had planned to use \$8 million in fund balance but mid-year saw that we were on track to perform better than budget. The food service and community service budgets performed slightly better than budget. Mr. Solomon reviewed the actual verses five-year financial plan graph. For the 2016-17 school year the district plans to use approximately \$8 million in fund balance. Typically, the district performs better than budget by about \$8 million. Even at that, if assumptions hold true the variance between revenue and expenditures for the years 2017-18 and 2018-19 will be large and fund balance will need to be used. Depending on future state funding the district may need to look at revenue enhancements or expenditure reductions. A copy of the (CAFR) will be emailed to BAC members and can be found on the District's website.

Enrollment Report/Forecast – On October 10 the School Board was presented with the official October 3 enrollment report. At that time the total enrollment in all schools and all programs was 28,182, an increase of 391 student from last year. This number is important because it determines funding from the state and is used locally to make final staffing and budget allocations to the schools. Since October 3 the district has seen an increase of 87 students. A copy of a PowerPoint presentation containing detailed demographic information was share with the BAC. Enrollment projections for 2017-18 through 2021-22 will be presented to the School Board at its November 14 meeting. School years 2017-18 through 2021-22 projections are based on three-year weighted ratio with three-year linear progression of kindergarten enrollments for the first year and a seven-year linear progression for years two

through five. These numbers are the first critical assumption used in the five-year financial projection. The district is projecting a steady growth and expects about 300 additional students in each of the next five years.

Financial Plan Parameters –Mr. Solomon shared last year’s base plan assumptions used for financial planning along with the expenditure by object spreadsheet and he asked for suggestion for any changes to the assumptions that can be given to the School Board. The suggestions were:

- 0%-3% increase from current base salary & benefits.
- Medical health insurance 6% (Tom Snyder, who is part of the Insurance Committee will ask the insurance committee for their input and report back to Mr. Solomon.
- General inflation trend of 2% seemed acceptable
- Transportation fuel costs could be held at 0% increase
- Utilities-Mr. Solomon will look at regional trends.
- Additional state funding for basic funding formula in future years with an annual increase of between 0% and 1.5%.
- Felt the remaining assumptions were in line with trends

Mr. Solomon will monitor the November state forecast and at the January BAC meeting, will provide several scenarios of the financial plan for the BAC to discuss and recommend to the School Board. Once the February state forecast is released, the district will have a better idea what might be in store for school funding.

2015(Payable 2016) Property Tax Levy Certification –At the last BAC meeting Mr. Solomon shared a copy of the School Board Audit and Finance council handout from the September 26 board meeting. At that time the levy was estimated to increase \$3,407,762.53 or 3.98% from \$85,581,694.57 to \$88,989,457.10. There was a slight increase in the levy amount due to MDE provided adjustments. The School Board will be asked to approve the final levy at their December 12 meeting. Preliminary tax statements were sent to homeowners the second week of November.

Other Mr. Solomon announce the retirement of Coordinator of Finance, Stella Johnson. He thanked her for her service to the district and commented on what an asset she has been to him over the last several years. The district is in the process of choosing a replacement and to insure a smooth transition, hopes to have a two-month overlap between the new person starting and Stella leaving. Her last day is February 28.

Next Meeting - January 11, 2017

Adjournment - The meeting adjourned at 8:15 p.m.