

**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. November 18, 2015  
District Office

**Present:** Budget Advisory Council members Kathy Cason, Grace Keliher, Chris Knight, Gary Krueger, Chad LaBahn, Jeff Little, Chas McCready, 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 Gary Huusko. **Absent:** Budget Advisory Council members Jason Elias, Karen Harrold and Kris Nelson. **Guest:** Joel Sutter, Senior Municipal Advisor, Ehlers & Associates and Joe Bertram, ISD 196 Controller.

The Budget Advisory Council met with the Legislative Advisory Council (LAC) for 40 minutes prior the regular BAC meeting to review the district's 2015 legislative priorities and suggest legislative priorities for 2016. The LAC will take those suggestions and along with the School Board and administration, prepare a formal list of priorities for E-12 education in the 2016 legislative session.

Co-chair Chad LaBahn called the regular meeting to order at 6:40 p.m.

**Public Input** - None

**Review Agenda and Minutes** - The agenda and September 9, 2015 minutes were approved.

**Bond Referendum Outcome and Bond Issuance Planning** - Mr. Solomon provided the Spotlight pages announcing the voters approved the bond and re-elected the board incumbents. A breakdown by precinct is on page 2. Several committees are working on the implementation of the three initiatives; Safety and Security, Space for Learning and Technology for Learning. The entire project is estimated to take three to four years to complete. The next step is bond issuance.

Joel Sutter of Ehlers & Associates began by reviewing the potential calendar of events from bond election to closing. Key dates are November 18, 2015, meet with BAC to discuss bond sale options, December 14, 2015, School Board reviews the pre-sale report and considers a resolution authorizing the sale of bonds, December 30, 2015-January 7, 2016, official statement sent to underwriters, rating agencies and bond insurance companies, January 13-21 bond sale date, and February 9-17, bond closing date. Mr. Sutter reviewed the analysis of possible structure for capital and debt levies comparing the initial July 7, 2015 table (3.25% avg. interest rate) and the update for November 17, 2015 (2.85% avg. interest rate). He shared a graph that indicates little fluctuation in the estimated tax rates for capital and debit service levies through 2029. The two options for issuing building bonds are to sell them all at once or split into two or more issues. The main advantage of splitting into two or more issues is reducing interest expense over the next year; e.g., delaying the issuance of approximately \$60 million for 15 months would reduce interest by an estimated \$2.5 million. The main disadvantage would be the risk that interest rates are substantially higher on the later issue(s). After reviewing the 10- year trend in municipal bonds and further discussion, the consensus of the Budget Advisory Council was to sell the bonds in a single issuance. Mr. Sutter explained the credit rating process the district needs to go through prior to issuing bonds and how having a second credit rating by either Standard & Poor's or Fitch Ratings could benefit the district. The consensus was to proceed with a second credit rating.

**Audit Review - Fiscal 2015** - A copy of the School Board exhibit, summary of the 2014-15 Annual Finance Report 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 School Board approved the Comprehensive Annual Financial Report at its November 16 meeting, The district performed slightly better than forecasted and were able

to contribute approximately \$800,000 to the fund balance. The Community Education and Food Service funds also performed better than budget. The district received a clean, unmodified audit. There were few findings and those are reported in the management report. The Comprehensive Annual Financial Report (CAFR) can be found on the district website.

**Enrollment Report/Forecast** –Enrollment projections for 2016-17 through 2020-21 were presented to the School Board at its November 16 meeting. The district has used a variety of methods to forecast enrollment. The enrollment committee is choosing to use the cohort method for forecasting enrollment which seems to be the most accurate for our district in our current pattern of fairly stable student numbers. These numbers are the first critical assumption used in the five-year financial projection. The district is projecting a slow, steady growth and expect about 100-200 student growth in each of the next five years.

**Financial Plan Parameters** –The BAC was given last year’s base plan assumptions used for financial planning and asked by Mr. Solomon to make any suggestion for change to the assumptions that can be given to the School Board. The suggestions were:

- A 2 %-3% increase from current base salary & benefits.
- Medical health insurance 6%-7% (Beginning September 1, 2012 the district switched to self-funded insurance.)
- General inflation trend of 2%-2.5% seemed acceptable
- Transportation fuel costs could be held at 0% increase
- Felt the remaining assumptions were in line with trends
- **Keep in mind pension costs are increasing (TRA, PERA)**

At the January BAC meeting, Mr. Solomon will provide several scenarios of the financial plan for the BAC to discuss and recommend to the School Board.

**2015(Payable 2016) Property Tax Levy Certification** –Mr. Solomon shared a copy of the School Board Audit and Finance committee handout from the September 28 board meeting. On September 28, the School Board adopted a total proposed property tax levy at the state maximum levy limitation. The proposed final 2015 levy (payable 2016) at that time was \$77,755,203.65, a 0.99% decrease from last year. This amount does not include the authority added with the successful approval of the bond referendum but will be reflected in the final proposed property tax certification presented to the board for approval on December 14. At that School Board meeting the public will have the opportunity to provide input to the School Board regarding the levy.

**Other** -Ms. Johnson shared a DRAFT of the 2015-16 Final Budget document. The format is consistent with the preliminary budget format but the numbers are not yet final. The final budget takes into consideration the elements that have change since the board approved the preliminary budget. The final budget will be presented as new business to the School Board on December 14 with final approval expected on January 4.

A copy of “Financing Education in Minnesota 2015-16” was given to the members.

**Next Meeting** - January 13, 2016

**Adjournment** - The meeting adjourned at 8:10 p.m.