

Lakeville Area Public Schools
Finance Advisory Council
Tuesday, December 8, 2015
Crystal Lake Education Center, Media Center 4:00 PM

1. Attendance

- Community Members
 1. Patrick Arling, Provincial Bank
 2. Erika Knips
 3. Rochelle Lockwood, Ameriprise
 4. Tom Neitzke, TMN Consulting
- Board of Education Members
 5. Director Robert Erickson, Treasurer
 6. Director Judy Keliher
- ISD 194 Staff
 7. Lisa Snyder, Superintendent
 8. Michael Baumann, Executive Director of Business Services
 9. Jaber Alsiddiqui, Controller
 10. Marilynn Smith, Principal, Orchard Lake Elementary
 11. Todd Mooney, LEAF President
 12. Don Sinner, EML President
 13. Melanie Smieja, MNCAPS Coordinator
 14. Emily Herman, Human Resources/Business Office Coordinator

2. Agenda

- a. **Welcome** – M. Baumann
- b. **Item 1** – J. Alsiddiqui
 - i. **Quarter One Update** – Board of Education (BOE) update that illustrates where we stand for the current year. Early projections. In process of closing the past fiscal year and early projection on where we are going to land for this year. Helps identify items we need to watch.
 - ii. Slide 2 (Summary of GF): looking at the Adopted Budget approved by BOE in June 15, Projections, and the difference. Fund Balance is like your equity balance for those in the profit world. Revenue is a little better and expenses a little less. Better ending for last year gave us a good beginning for this year.
 - a. Property taxes are set by levy certification. Once and a while some small changes but usually once certified it stays the same.
 - b. Other local is related to fees – changed our accounting procedures on charge-back.
 - c. Food service for example pays for the overhead (credit for expenditure.) State Aid – looking on target.

- d. SPED revenue that we might have a little more but last year we were a little over estimated. The earlier number showing the adjustment we used was a little more liberal so we might have a slight decline. But current year a gain to equal a wash.
 - e. Title I revenue a little higher. Federal gives to State. State gives to district. Measured by Free & Reduced. Our Free & Reduced increased so that lead to the increase in
 - f. Expenditure – salary, wages, and benefits are the big items. Result of our contract negotiations. Showing we are a little higher than we are in the budget.
- iii. Slide 3 (Analysis of General Fund): State revenue driven by enrollment. About 22 students less than projected. That is favorable, really close. Only 22 students off. It wasn't a significant amount to change the projection. Even though it is Oct 1st numbers, the State is still make adjustments. Misc is CE and Food Service
 - a. Expenditure – salary, wages, and benefits are the big items
- iv. Slide 4 (Analysis of GF Fund Balance) – healthier start for this year. FY15 Fund Balance.
 - a. E. Knips - Fund Balance was significantly better in FY14, right?
 - i. J. Alsiddiqui - Projection – our self-imposed position, we want to be in a favorable, at or slightly better. We are giving ourselves 2% tolerance level. Last year was 2.6% off. Want to stay on projection or at least not over spend.
- v. Slide 5 (Enrollment trend) – snapshot from October 1st Enrollment. 10,871 – 44 less than actual but only 22 off from projections.
 - a. Open enrollment (students from other districts coming into our district) in the past we had a decline. Last year was the first year it went the other way. More students coming in then going out. Total students in district was down but open enrollment is better. Enrollment is better.
 - i. Director Erickson - 572 coming in?
 - 1. J. Alsiddiqui – I do not have the actual numbers but last year we were plus 29 students
 - 2. M. Baumann – great if we can do it three years in the row. Do think it is reflective of the good things we have done.
 - 3. Director Erickson – goal of the Superintendent
 - a. Superintendent Snyder – it takes the team.
- vi. Slide 6 (Projected Fund Balance) – although technically done, it has not been approved so this is unaudited numbers. Board policy is 4-8% for the fund balance

- a. E. Knips - Are we not spending something we should be? Are we leaving something on the table?
 - i. M. Baumann - fair question – also have to consider where you are at in the labor negotiations cycle. Do you spend it down but then you are in a labor cycle and that will probably go up. Will that get you into trouble? Labor is the majority of your GF dollars in the school district. One thing that is always in the back of your mind. Also, we can't create widgets so we can make profits – have to be cautious.
- b. D. Sinner – EML in the projection?
 - i. J. Alsiddiqui – yes, that is correct. Growth in the state aid – that is not keeping up. If you look at state wide – pattern of the expenditure. Expenditures are growing at a faster rate than revenue from state. Historical per pupil (look at audit), ours is zig zag because of the budget cuts.
 - 1. Where are we going to land?
 - a. J. Alsiddiqui - Projected at 10.1%

vii. Slide 7 (Fund Balance History)

- a. D. Sinner - Is that in millions?
 - i. J. Alsiddiqui – Yes.
- b. P. Arling - restrictions?
 - i. J. Alsiddiqui – no, it is policy. Book experts will tell you to have 3 months of expenses for coverage.
- c. P. Arling – will the State take back?
 - i. D. Sinner – they did that to ISD196
 - ii. J. Alsiddiqui – it is a balance between should we have it or save it based on history and looking forward to shortages
- d. P. Arling – do you borrow for operating? Do you have three months but enough for borrowing?
 - i. M. Baumann – it can happen. State almost forced districts to borrow
 - ii. Director Erickson – yes, we had lowest interest rate in the State, less than 0.5 interest rate.
- e. M. Baumann – be careful of cutting. To the extent that you can intelligently avoid that, I think you have to do that. If you don't do that, you deal with the cuts and the long term effects. Years and years to recover from. To me that is where you have to manage that Fund Balance. It is hard to anticipate because of all the factors. Conversations around fund balance between public

and private are significantly different but the impacts are similar.

- f. Director Keliher – practice, in the past, use Fund Balance for one time initiatives instead of programs that have ongoing costs.
- g. Director Erickson – BOE asked for projections out to FY17, we are headed toward 5.7% Fund Balance. Transportation contract is an example.

viii. Slide 9 - Levy Update: M. Baumann

- a. Payments occur in 16 for 17. These dollars now effect next year
- b. Levy numbers – GF categories, CS, and Debt Service fund. Different categories under each fund.
- c. Last year we talked in detail about the calculation for each.
- d. Last levy for FY16, Certified Original (approved by BOE in Sept.) – we do not set the property tax amount, State does that based on legislation – set the amount you are allowed to have.
- e. BOE made a decision to not levy for the local portion of QComp.
- f. BOE didn't levy the allowed MN Department of Education max, BOE has the authority to reduce, only can increase by going to the voters.
- g. OPEB – levied at \$341k less.
- h. MDE Allowable, after the vote, allowable total levy. State calculation and new referendum.
- i. 18.7% allowable over last year.
- j. District Final doesn't include the QComp and only counts the reduced the OPEB amount. Soften the impact of the property taxes on the district.
 - i. D. Sinner – Health & Safety goes to zero? Can you explain?
 - 1. J. Alsiddiqui – it is now part of Long-Term Facilities Maintenance – new revenue component. Alt, Health & Safety and LTFM levy lumped together. New formulas

ix. Slide 12 - ALC Restructuring – M. Baumann

- a. Finance is the reason for the season. Not the end all be all. We are teaching kids and we are in a teaching process. It is not the only component.
- b. Slide 13 - ALC/Targeted Services Aggregate Budget look back. Targeted Services are after school kind of programs generic based on students attending. Main thing is credit recovery. Students falling behind to graduate, take TS to get them on track. ALC is supporting students that don't handle the traditional aspect of HS. Another method/teaching and learning

process so we can get them to that level of learning and get them to graduate. Without a diploma you are behind in life. This is another program that the state of MN has, AL, Lakeville, established a program at building for ALC to give instruction. In that program, we set-up the financial plan to support that. Chart shows the Revenue and Expenditures and the Aggregated GF subsidy. It means dollars that are coming out of the GF that are not generated by the enrollment of ALC. Revenue is State Aid formula

- i. E. Knips – how do other districts support ALC?
 - 1. M. Baumann – I haven't work in other districts but can speak to Saint Paul Public Schools, generally/understanding they are self-funded. Generally you don't have to put dollars into it. Designed that way. That doesn't mean they are best serving the kids. They may have gaps. When we were designing this program, there were people looking at Lakeville. Look at it in terms in functionality and outcome with students.
 - 2. J. Keliher – it was a revenue generating program at the start. It was self-sufficient.
 - 3. Superintendent Snyder – now other districts have programs and we are no longer serving so many districts. Mainly only serving Farmington now.
- ii. P. Arling - enrollment numbers?
 - 1. M. Baumann – shows the two charts (slide 15-16). Staffing reduction
- iii. D. Sinner – one statement, we have one of the more successful graduation rates. Very successful program. Question – is there a way to disaggregate the students coming vs. the students coming after? The two parts, ALC for credit recovery vs. day-to-day students.
 - 1. M. Baumann – we tried by looking at TS vs. ALC expenditures
- iv. D. Sinner – students credit recovery getting revenue?
 - 1. J. Alsiddiqui – allowed one ADM, secondary students have a set number of hours, and you can go up to 20% over the hours. Anything over the hours wouldn't generate funds.

- v. M. Baumann – a more refined focus could be helpful.
Looking at the end column
- vi. Director Erickson – by reducing 3 FTE, did it reduce the expenditure projection?
 - 1. M. Baumann – yes, we already did that.
 - 2. Superintendent Snyder – there is the problem.
We already are no longer robust. We have a lot to do in this area. Improve TS K-8. Create a much better program and from a financial.
- vii. E. Knips – what is included?
 - 1. Superintendent Snyder – summer and after school in order to generate the revenue.
Program to generate students, excitement, champion across the district, marketing it, consistency and quality by level and not by site.
 - 2. Director Erickson – restructuring review?
 - a. Superintendent Snyder – did a study last year –ALC restructuring philosophy.
Case by case basis for off-site. The rest will benefit for being on site.
- viii. E. Knips – overlap with SPED?
 - 1. Superintendent Snyder – yes – they overlap
 - a. D. Sinner – SPED is not a qualifier
- ix. Director Erickson – currently we lease space. Under this plan, we could end the lease, move CE and save a lot of money. It isn't about the monetary gain; it is about the program benefits. ALC of today isn't the ALC that was started. New needs for the students of today than when we started. 917 District representatives for ISD194. Many of those school districts don't have ALC. ISD917 provides an ALC for several districts in Dakota County. Most districts use 917 ALC instead of having their own.
- x. Superintendent Snyder – in addition to that, the proposal calls for that. Has a TOSA overseeing that and coordination. Maximizing those offerings.
- xi. Director Erickson – ALC has a Principal, Support Staff, and that could change under that. Students are concerns as they are in that environment and what they are comfortable of that.
- xii. P. Arling – is that what other District are following?

1. Superintendent Snyder – not necessarily.
Wayzata serves in the HS. It is one way to help.
Doesn't help the internal cost.
- xiii. Director Erickson – ALC doesn't have its own kitchen
(Superintendent – or gym) Students feel they don't get
the same quality meal. I feel it is accurate. It is not the
same as other school buildings.
- xiv. Superintendent Snyder – wanted to brief you, help you
understand the financial and equity components of this.
- xv. T. Mooney – timeline?
 1. Superintendent Snyder – BOE is still discussing.
BOE will discuss on 12/15/15
- xvi. Director Erickson – legal provision to give advance
notice to exit the building lease.
- x. MNCAPS Program – Melanie Smieja, MNCAPS Coordinator
 - a. See MNCAPS Business Presentation PPT attached for slides.
 - b. P. Arling – we should push kids in the program?
 - i. M. Smieja – yes and you can mentor! Yes – two have
reached out. Luncheon at your workplace to share with
team. Get others involved.
 - c. Director Erickson – the Minnetonka Vantage Program has been
successful from the onset.
 - d. M. Smieja – New Prague is starting. Ours is academic – core
courses in there. English course in area they are passionate
about.
 - e. Director Erickson - an Executive from Cargill was a recent guest
speaker, for example
 - f. Principal Smith – want to connect, can students dabble in
different pathways? Test out programs but don't know exactly
what they want
 - i. M. Smieja – Mentor can be semester to semester. Can
change. Overview of health care then follows into that.
These are the core courses no matter where they go...
AVID teacher at LSHS for 8 years. You have to try things
out.
 - g. M. Smieja – December 20th Chamber breakfast – over 50
people. Similar breakfast at Prior Lake. Going to Rotary in
Lakeville and going to Prior Lake. Turnout was exciting and
passion was exciting and feeding off each other.
 - i. Director Erickson – Significant turnout by Rotary &
Chamber members.

- h. Director Keliher – students thrive on it. Students have gone on to get patents. Collaboration opportunities.
- i. M. Smieja – programs have seen the success of involvement with autism students – reach out.
- j. M. Baumann – looking at MN School of Business as a potential location.

3. Adjourn – 5:15 PM

4. Next meeting is scheduled for February 9, 2016.