

INDEPENDENT SCHOOL DISTRICT NO. 625
Saint Paul, Minnesota
COMMITTEE OF THE BOARD MEETING
Administration Building
360 Colborne Street

February 9, 2016
4:30 PM

A G E N D A

I. CALL TO ORDER

A. Introductions

II. AGENDA

A. Investment Update OPEB Trust (Wells Fargo)

Time: 4:35 Time Certain

1. Introduction

2. Presentation

3

3. Discussion

4. Action (Acceptance of Report)

B. Investment Update US Bank

Time: 4:55 p.m. Time Certain

1. Introduction

2. Presentation

18

3. Discussion

4. Action (Acceptance of Report)

C. Legislative Update

1. Introduction

2. Presentation

47

3. Discussion

4. Action (TBD)

D. First Budget Revision 2015-16

1. Introduction

2. Presentation

60

3. Discussion

4. Action (Approval of Revisions)	
E. Quarterly Financial Report for Quarter Ending December 31, 2015	
1. Introduction	
2. Presentation	69
3. Discussion	
4. Action (Acceptance of Report)	
F. FY 2017 Budget Guidelines	
1. Introduction	
2. Presentation	81
3. Discussion	
4. Action (Approval of Guidelines)	
G. Standing Item: Policy Update	82
H. Standing Item: PLTT Update	
I. Standing Item: SSSC 2.0 Update	
J. Work Session	
1. Board Check-In	
2. Approval of Dates for Future Board Meetings (2016-2017)	88
Possible Reschedule of April Board Meeting	
Scheduling of Closed Board Meeting on 2/16 or 17.	
3. Board Priorities	
III. ADJOURNMENT	



Investment Review

February 9, 2016

John Schutz

☞ **Senior Vice President & Relationship Manager**
612-667-2819

Todd Baker

Senior Vice President & Senior Financial Advisor
612-316-3886

Bob Cass

Senior Vice President & Senior Financial Advisor
612-316-4429

John Warneke

Senior Fiduciary Advisory Specialist
612-667-8020

Merle Waters, CFA

Senior Vice President & Senior Investment Strategist
612-667-8474



Investment and Insurance Products:

- ▶ Are NOT insured by the FDIC or any other federal government agency
- ▶ Are NOT deposits of or guaranteed by the Bank or any Bank affiliate
- ▶ May Lose Value

St. Paul Public Schools – OPEB Trust

Investment Objective: **Balanced**
Risk Tolerance: **Moderate**
Portfolio Life: **Greater than 10 years**

Goals in order of priority:

1. Meet annual OPEB liability (liquidity management)
2. Seek competitive return consistent with risk profile (risk-adjusted return)

Agenda

1. OPEB Industry Update
2. OPEB Portfolio Review
3. Market Commentary

Wells Fargo OPEB Client Summary

1/5/16

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	Funding Value	Current Value	Total Contributions	Total Distributions	Investment Gain	Date of First Investment	Cash Target	Fixed Target	Equity Target	Comp / Real Assets
White Bear Lake	\$39,520,357	\$32,290,171	\$0	\$19,923,595	\$12,693,409	12/22/2008	0.00%	40.00%	40.00%	20.00%
Rosemount Eagan	\$37,147,160	\$46,692,176	\$0	\$2,714,918	\$12,259,934	3/27/2009	0.00%	40.00%	40.00%	20.00%
Minnetonka	\$21,943,760	\$20,139,807	\$803,857	\$7,604,351	\$4,996,541	7/2/2009	0.00%	35.00%	45.00%	20.00%
Eden Prairie	\$14,889,018	\$15,784,354	\$500,000	\$3,764,090	\$4,159,426	3/12/2009	0.00%	27.00%	45.00%	28.00%
Inver Grove Heights	\$9,087,433	\$9,828,990	\$0	\$2,258,579	\$3,000,136	3/9/2009	0.00%	35.00%	45.00%	20.00%
Columbia Heights	\$4,556,356	\$5,154,101	\$1,150,032	\$1,947,024	\$1,394,736	5/22/2009	0.00%	40.00%	40.00%	20.00%
Milaca	\$3,556,680	\$3,332,088	\$0	\$1,255,584	\$1,030,993	3/18/2009	0.00%	40.00%	40.00%	20.00%
Anoka Hennepin	\$26,096,522	\$31,104,315	\$0	\$709,048	\$5,716,841	12/1/2009	0.00%	40.00%	40.00%	20.00%
Red Wing	\$12,758,315	\$10,536,061	\$0	\$4,587,045	\$2,364,791	12/14/2009	0.00%	40.00%	40.00%	20.00%
North Branch	\$4,385,606	\$3,610,867	\$0	\$1,573,366	\$798,627	12/18/2009	0.00%	40.00%	40.00%	20.00%
South St. Paul	\$5,055,070	\$4,094,919	\$0	\$1,944,023	\$983,872	2/2/2010	0.00%	40.00%	40.00%	20.00%
Saint Paul	\$1,000,000	\$30,473,168	\$29,377,730	\$0	\$95,438	4/8/2011	0.00%	40.00%	40.00%	20.00%
Centennial	\$9,331,279	\$9,373,355	\$0	\$0	\$42,076	-	0.00%	40.00%	40.00%	20.00%
Total:	\$189,327,556	\$222,414,373	\$31,831,619	\$48,281,623	\$49,536,821					

St. Paul | Consolidated Portfolio

As of 12/31/15

WELLS
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Account	Cash	Fixed Income	Equity						Alternative Investments		Grand Total
			Large Cap	Mid Cap	Small Cap	Developed Mkts	Emerging Mkts	Total	Real Assets	Comp. Strat.	
St. Paul - Main	\$255,846	\$1,258,645	\$1,041,764	\$774,121	\$378,362		\$274,433	\$2,468,679	\$699,663	\$3,053,450	\$7,736,283
St. Paul - SADIX		\$11,013,049									\$11,013,049
St. Paul - STM TAX		\$9,488,093						\$0			\$9,488,093
St. Paul - TMA INT						\$626,889		\$626,889			\$626,889
St. Paul - MCM INT						\$635,092		\$635,092			\$635,092
St. Paul - MFS LCV			\$524,532					\$524,532			\$524,532
St. Paul - JEN LCG			\$539,571					\$539,571			\$539,571
Asset Allocation Total	\$255,846	\$21,759,787	\$2,105,867	\$774,121	\$378,362	\$1,261,981	\$274,433	\$4,794,763	\$699,663	\$3,053,450	\$30,563,509
Equity Style Allocation			44%	16%	8%	26%	6%	100%			
% of Total Allocation	1%	71%	7%	3%	1%	4%	1%	16%	2%	10%	100%

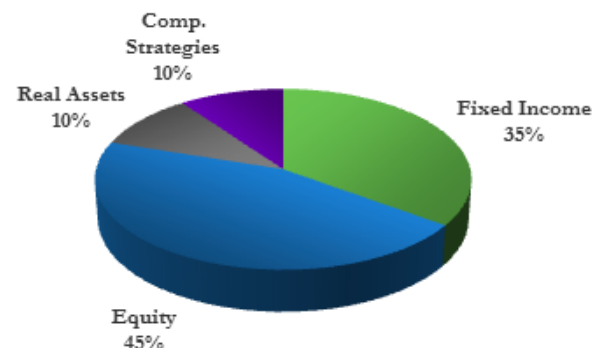
Alternative Investments

SPDR DJ Wilshire Int'l Real Estate	0.6%
E-TRACS Alerian MLP Infrastructure Fund	0.6%
Principal Enhanced Real Estate Fund	1.2%
Merger Fund	2.0%
Neuberger Berman Long/Short Fund	3.0%
Robeco BP Long/Short Research Fund	5.0%

Current Allocation



Target Allocation



St. Paul | Receipt/Disbursement History

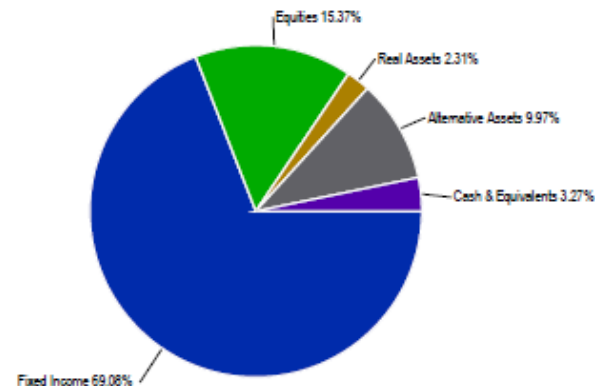
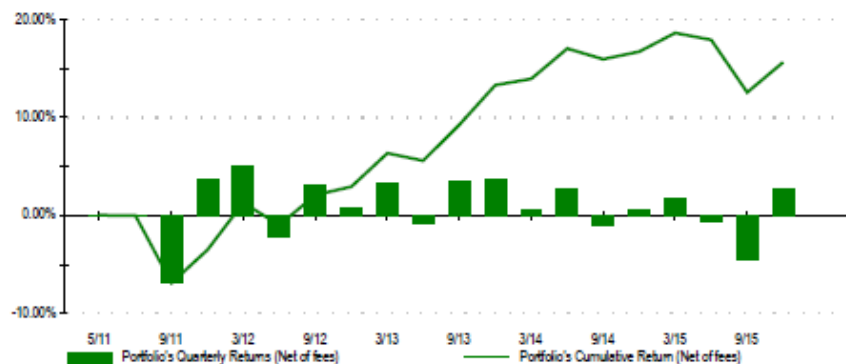
Receipts	4/8/2011	Initial Funding of OPEB Trust	\$1,000,000	
	11/1/2011	Addition	\$1,000,000	
	1/11/2013	Addition	\$1,000,000	
	11/6/2013	Addition	\$1,000,000	
	10/9/2014	Addition	\$1,000,000	
	12/16/2014	Addition	\$3,000,000	
	11/24/2015	Addition	\$22,377,730	
Total Receipts				\$30,377,730
Disbursements				
Total Disbursements				<u>\$0</u>
Adjusted Balance				<u><u>\$30,377,730</u></u>
Current Market Value (12.31.2015)				\$30,563,509
Net Increase in Market Value				\$185,779

PORTFOLIO PERFORMANCE SUMMARY (CONSOLIDATED) - REPORT PERIOD: 5/1/11 TO 12/31/15

AGG518627 ST PAUL PUBLIC SCHOOLS #625 TR

PORTFOLIO RETURNS

PORTFOLIO ALLOCATION



PORTFOLIO SUMMARY

	LAST 3 MONTHS	LAST 12 MONTHS	LAST 3 YEARS	SINCE INCEPTION
Beginning Value ¹	8,217,238	8,518,695	2,084,377	1,000,038
Net Contributions & Withdrawals ^{2,3}	22,378,033	22,378,748	28,379,989	29,379,989
Investment Gain or Loss ¹	31,426	-270,745	162,332	246,671
Ending Value ¹	30,626,698	30,626,698	30,626,698	30,626,698

PERFORMANCE SUMMARY

	ENDING MARKET VALUE ¹	CURRENT PORTFOLIO ALLOCATION	LAST 3 MONTHS	LAST 12 MONTHS	LAST 3 YEARS ⁴	SINCE INCEPTION ⁴
TOTAL PORTFOLIO (Net of fees)³	30,626,698	100.00%	2.72%	-0.93%	3.95%	3.16%
FIXED INCOME	21,155,946	69.08%	-0.26%	1.08%	0.98%	1.57%
Barclays 1-3 Year Govt Index			-0.43%	0.57%	0.53%	0.68%
Barclays 1-3 Year Govt/Credit			-0.36%	0.65%	0.69%	0.91%
Barclays Interm Govt/Credit Index			-0.69%	1.07%	1.10%	2.44%
EQUITIES	4,706,796	15.37%	4.69%	-0.81%	9.72%	-
MSCI All Country World Index			5.15%	-1.84%	8.26%	-
Standard & Poor's 500 Stock Index			7.03%	1.38%	15.12%	-
MSCI EAFE Net Index			4.71%	-0.81%	5.01%	-
REAL ASSETS	708,946	2.31%	-2.76%	-10.44%	1.92%	-

PORTFOLIO PERFORMANCE SUMMARY (CONSOLIDATED) - REPORT PERIOD: 5/1/11 TO 12/31/15 AGG518627 ST PAUL PUBLIC SCHOOLS #625 TR

PERFORMANCE SUMMARY

	ENDING MARKET VALUE ²	CURRENT PORTFOLIO ALLOCATION	LAST 3 MONTHS	LAST 12 MONTHS	LAST 3 YEARS ¹	SINCE INCEPTION ¹
ALTERNATIVE INVESTMENTS	3,053,450	9.97%	1.89%	0.24%	1.16%	-
CASH & EQUIVALENTS	1,001,561	3.27%	0.01%	0.02%	0.02%	0.04%
<i>Lipper Money Market Index</i>			0.01%	0.01%	0.01%	0.01%

St. Paul | Investment Policy Statement

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FARGO



Investment Policy Statement

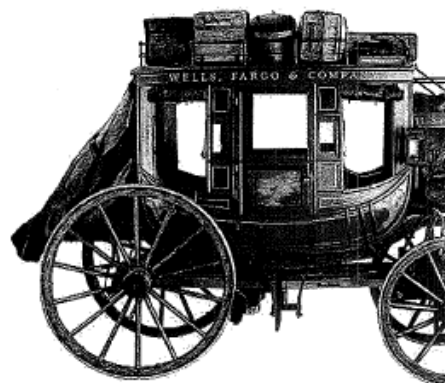
Prepared for:

ST PAUL PUBLIC SCHOOLS #625 TR-MAIN

Regarding 51862700 ST PAUL PUBLIC SCHOOLS #625 TR-MAIN

Prepared by:

Merle W. Waters



Investment Products: > NOT FDIC Insured > NO Bank Guarantee > MAY Lose Value

IPS: 253938

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Purpose of the Investment Policy Statement

The purpose of this Investment Policy Statement is to establish an understanding as to the investment goals, objectives, and management policies for this portfolio.

The investment policy will also:

- Establish overall standards for the management of the assets held in the Portfolio.
- Define overall investment parameters to help manage risk in the Portfolio in accordance with the identified risk tolerance.
- Communicate the intent of this plan to the appropriate parties.
- Provide a written strategy and standard, which will guide the decisions regarding the management of the Portfolio assets, including any restrictions to the management of the assets.

This statement should be reviewed periodically and revisions should be made as necessary to reflect changes in circumstances or objectives. All revisions must be made in writing and distributed to the appropriate parties.

Investment Authority

Sole Authority

Investment Objective

Balance

Balance in emphasis between current income and longer-term capital appreciation. Assets are primarily invested in equity and fixed-income securities and in real assets (real estate and commodities) with a moderate to strong emphasis on capital appreciation and current income. This objective can be considered for clients with average risk tolerance and intermediate to longer-term time horizons, in which to grow principal. Alternative investments (hedge funds and private equity) may be utilized to improve the return/risk relationship of the portfolio. Client suitability, liquidity needs, investment minimum requirements, and investor qualifications will be considered before investing in alternative investments.

Investment Horizon

Your investment horizon is 11 years or more.

Investment horizon means the amount of time before you anticipate liquidating all, or a significant portion of portfolio assets. We use the investment time horizon as one of several factors in determining the assets selected for your portfolio. In general, a portfolio designed for a longer term horizon may hold more assets that are not easily converted to cash, which could impact your ability to liquidate or transfer assets if your circumstances should change.

Tax Sensitivity

Client is aware that any investments made in this account may be subject to U.S. Federal or State reporting and/or taxes, including but not limited to income, withholding, generation skipping, gift or estate tax. Client should consult with Client's own legal and tax advisors regarding the types of investments to be made in this account, and regarding all assets transferred into this account to determine the U.S. tax consequences of such investments.

If applicable, and the Client is a non-resident alien (NRA), assets may be subject to U.S. Federal or State reporting and/or taxes depending upon the types of investments.

If applicable, external money managers utilized by the Bank will manage client assets in accordance with previously disclosed investment styles. The money managers will not alter their investment selections or their investment style to take into consideration the U.S. Federal or State tax consequences of such investments to non-resident alien clients, which may result in an account being subject to certain U.S. Federal or State taxes (including but not limited to income, capital gains, estate or gift taxes) and/or reporting.

Risk Tolerance

You have indicated a Moderate risk tolerance.

Moderate

The risk tolerance is the amount of market correction you can tolerate without making an emotional decision to sell. Moderate investors seek a balance between capital appreciation and stability.

Investment Products: > NOT FDIC Insured > NO Bank Guarantee > MAY Lose Value

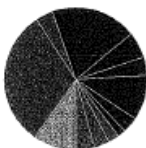
IPS: 253938

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St. Paul | Investment Policy Statement

Asset Allocation Strategy

After consideration of your investment objective, risk tolerance, liquidity requirements and other portfolio specifications, the asset allocation will be:



Asset Class	Target Allocation	Current Allocation
1. Cash & Equivalents	50.00%	62.00%
2. Fixed Income	23.87%	25.00%
3. Equity	21.12%	13.00%
4. Alternatives Investments	3.00%	0.00%
5. Other	0.00%	0.00%

In establishing the percentage allocations above, Wells Fargo has determined a target exposure for each asset class based on the needs, objectives and risk tolerance of the client. The portfolio may be managed +/- 10% to the targets above to allow for market fluctuations, opportunistic rebalancing based on our tactical outlook and client preferences. Out-of-balance portfolios will be rebalanced back to the targets, depending on market factors, tactical outlook, client circumstances and other considerations. Sub asset classes may be added or removed from the approved asset class structure from time to time. Additional information is available upon request.

At a minimum, the Plan's assets, governed by this policy, shall be reviewed annually, and trading costs shall be considered if cash flow is insufficient to effect the rebalancing. The allocation does not involve market timing and is intended to represent a diversified approach to investing based upon the investment time horizon.

Specialty Assets

There are no Specialty Assets, including real estate, closely held business, mineral interests, loans and notes as part of the Portfolio.

Investment Vehicles

Each asset class may include individual securities, separately managed accounts, mutual funds, ETFs and other investment vehicles.

Timing of Initial Allocation

You have indicated a desire to have the Wells Fargo Investment Professional fully allocate the portfolio represented in this plan toward the recommended asset allocation within the next 3 months.

Liquidity and Distribution Requirements

You have not indicated a need for regular distributions from the assets under this Investment Policy Statement; therefore, the investment decisions may not be designed to ensure immediate liquidity. If your needs change significantly, please notify Wells Fargo.

Performance Evaluation or Monitoring

- Performance of the Portfolio will be monitored, and measured no less than on an annual basis. Performance will be measured against the appropriate benchmarks as determined by Wells Fargo.
- In addition, the following qualitative standards will be a basis for measurement when Mutual Funds and Separate Account Managers are selected:
 - The Manager's adherence to any unique client specific requirements
 - The Manager's consistency in the application of its own investment philosophy
 - The Manager's risk control management versus the Portfolio's tolerance for risk

Special Circumstances

You have not indicated a need for special consideration and, as such, does not require separate handling.

Restrictions

You have not indicated any investment restrictions.

Additional Client Information

This relationship is subject to the investment restrictions of Minnesota Statute 326A.

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St. Paul | Investment Policy Statement

Signature Page

I/We, the Client(s) or the undersigned person(s), delegated with Investment Authority for the assets under this Investment Policy Statement, accept the above description and direction of investment objectives.

By:  Date: 2/1/14
The Client(s) or Authorized Signature

By: _____ Date: _____
The Client(s) or Authorized Signature (if more than one)

The Bank acknowledges the Investment Policy as outlined herein and agrees to monitor and/or restructure the objectives of this policy as deemed necessary on an ongoing basis.

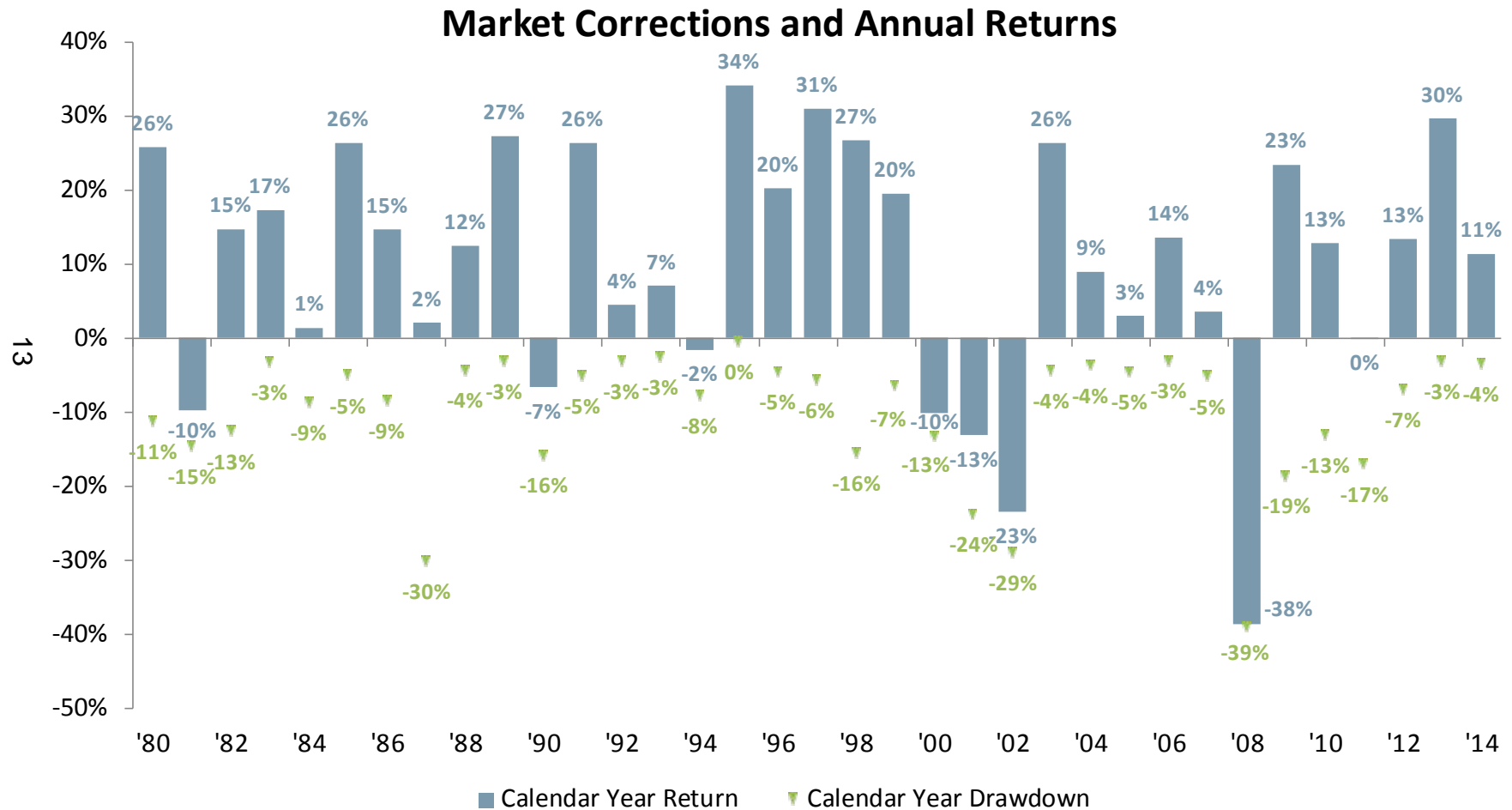
By:  Date: 2/2/2016
WF Investment Manager Signature

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IPS: 253938

Asset Performance

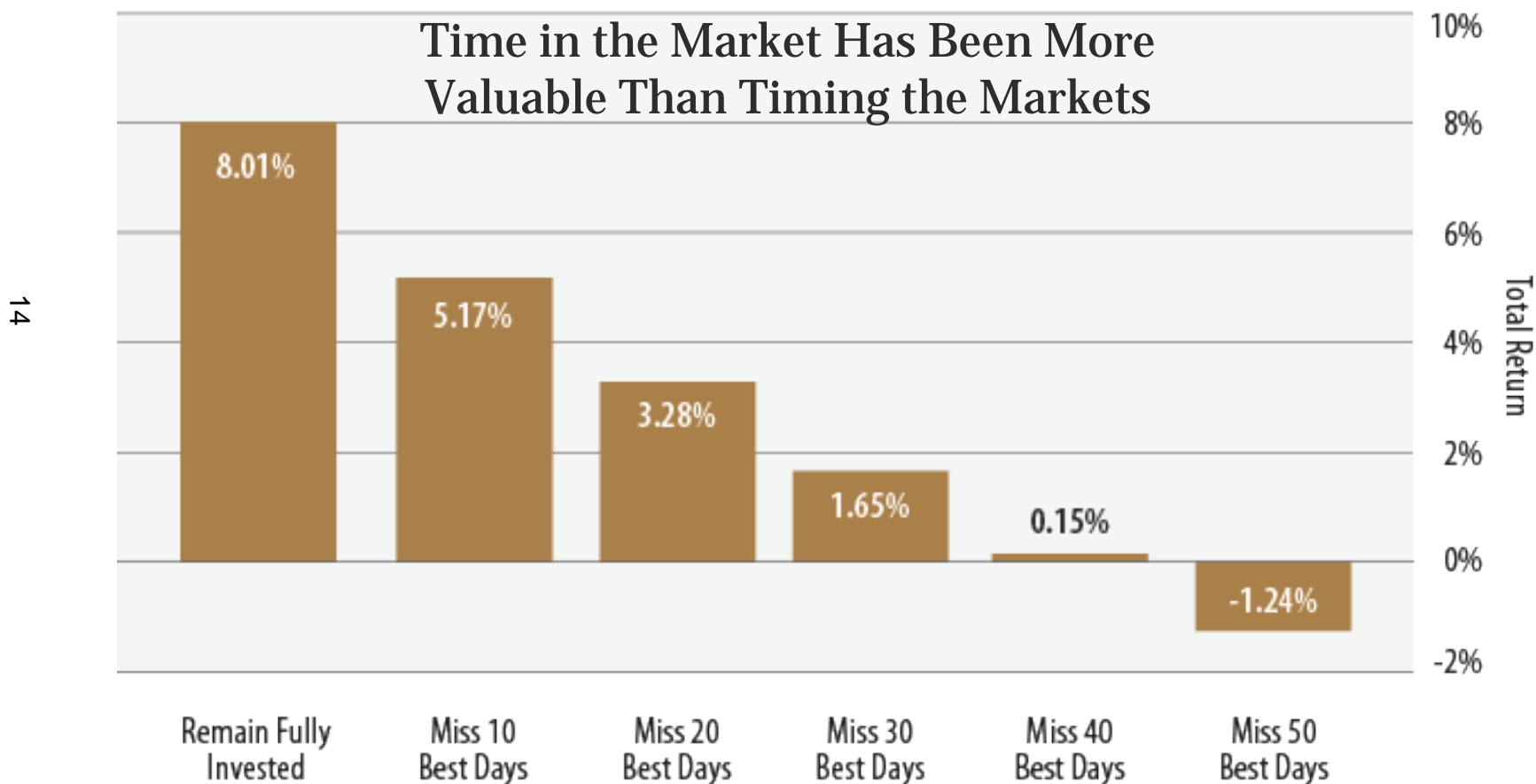
A good year could have a few bad months



Source: FactSet as of 1/1/2015. : Severe intra-year corrections do not necessarily indicate sub-par performance for the calendar year. Analysis was compiled using the S&P 500 Price Index. The S&P 500 Index is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The index includes 500 widely held U.S. market industrial, utility, transportation and financial companies. Past Performance is no guarantee of future results.

Don't Let Volatility Keep You Out of the Market

Most of the market's (S&P 500 Index) return is accumulated over very few trading days

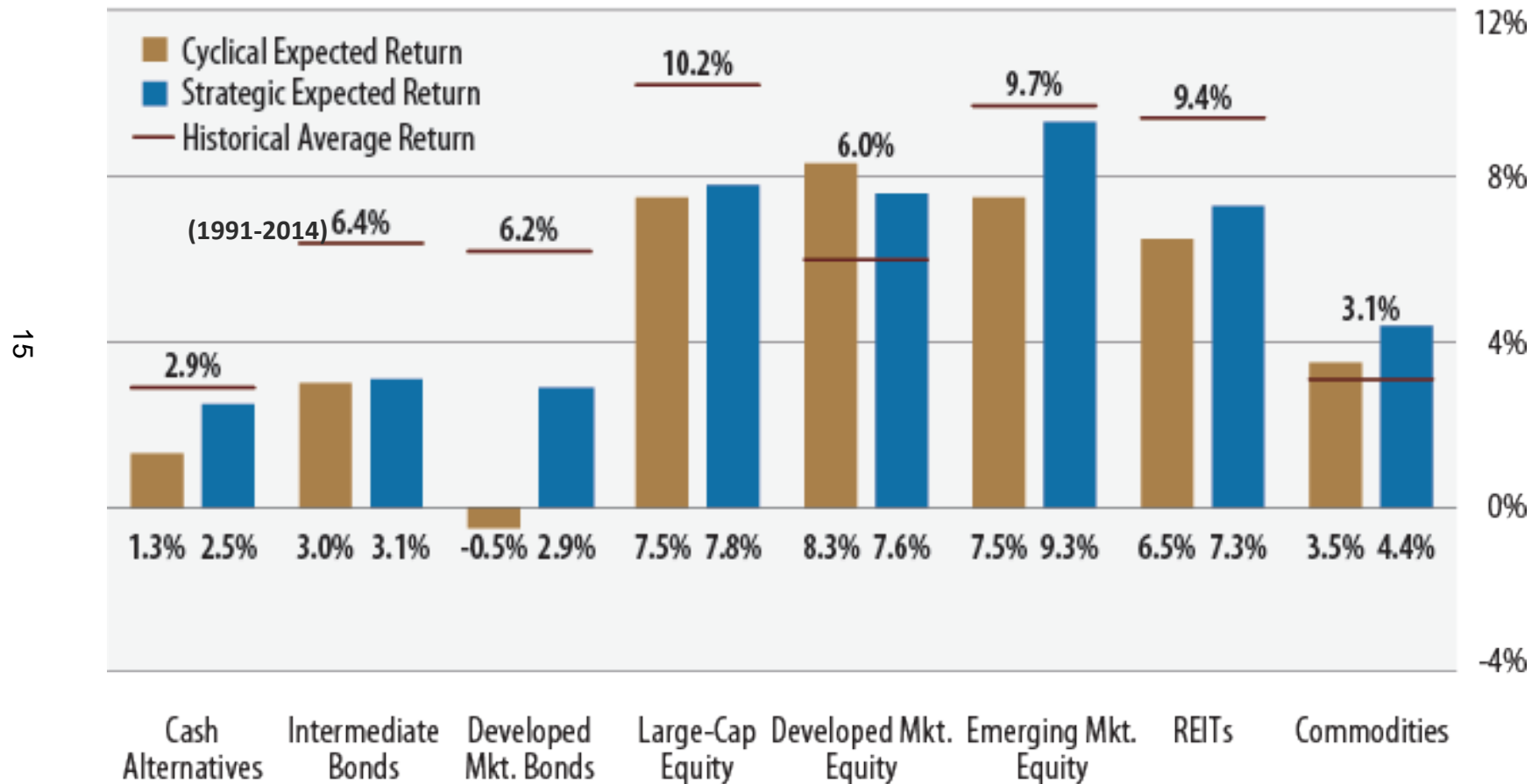


Past performance is no guarantee of future results.

The S&P 500 Index is an unmanaged market-value weighted index which consists of 500 stocks chosen for market size, liquidity, and industry group representation. It includes reinvestment of dividends. Source: FactSet, Wells Fargo Investment Institute, 12/2015.

The Search for Returns

We are forecasting lower strategic (10-15 years) returns than historical averages



Cyclical (three-to-five year) and Strategic (10-to-15 year) Expected Returns are forward-looking estimates from Wells Fargo Investment Institute of how asset classes and combinations of classes may respond during various market environments. They are not designed to predict actual performance and may differ greatly from actual performance. There are no assurances that any estimates given will be achieved. Historical average returns are for data from 1991 to 2014. An index is unmanaged and not available for direct investment. Past performance is no guarantee of future results. Chart is for illustrative purposes only.

Source: Wells Fargo Investment Institute Forecasts, Historical Data FactSet and Morningstar Direct, 11/25/2015. An index is unmanaged and not available for direct investment.

4 Asset Group Performance – Balanced

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	'01-'15 Average
16	Inv-Grade Bonds 8.4%	Commod 25.9%	Emg-Mkt Stocks 56.3%	REITs 38.0%	Emg-Mkt Stocks 34.5%	REITs 42.4%	Emg-Mkt Stocks 39.8%	Dev-Mkt Bonds 11.4%	Emg-Mkt Stocks 79.0%	Small-Cap Stocks 26.9%	Emg-Mkt Bonds 8.5%	REITs 28.7%	Small-Cap Stocks 38.8%	REITs 15.9%	Large-Cap Stocks 1.4%	REITs 9.2%
	High-Yield Bonds 5.3%	Dev-Mkt Bonds 22.1%	Small-Cap Stocks 47.3%	Emg-Mkt Stocks 26.0%	Commod 21.4%	Emg-Mkt Stocks 32.6%	Commod 16.2%	Inv-Grade Bonds 5.2%	High-Yield Bonds 58.2%	Mid-Cap Stocks 25.5%	Inv-Grade Bonds 7.8%	Emg-Mkt Stocks 18.6%	Mid-Cap Stocks 34.8%	Large-Cap Stocks 13.7%	Emg-Mkt Bonds 1.2%	Emg-Mkt Stocks 8.9%
	Hedge Funds 4.6%	Emg-Mkt Bonds 13.1%	REITs 40.7%	Intl Stocks 20.7%	REITs 15.4%	Intl Stocks 26.9%	Intl Stocks 11.6%	Treasury Bills 2.1%	Mid-Cap Stocks 40.5%	REITs 20.4%	Dev-Mkt Bonds 5.9%	Emg-Mkt Bonds 18.5%	Large-Cap Stocks 32.4%	Mid-Cap Stocks 13.2%	60%, 40% Portfolio 1.2%	Emg-Mkt Bonds 8.5%
	Treasury Bills 4.4%	Inv-Grade Bonds 10.3%	Mid-Cap Stocks 40.1%	Mid-Cap Stocks 20.2%	Intl Stocks 14.0%	Small-Cap Stocks 18.4%	Dev-Mkt Bonds 11.3%	CPI 0.1%	REITs 38.3%	Emg-Mkt Stocks 19.2%	High-Yield Bonds 5.0%	Intl Stocks 17.9%	Intl Stocks 23.3%	60%, 40% Portfolio 10.6%	CPI 1.2%	Mid-Cap Stocks 8.1%
	Small-Cap Stocks 2.5%	REITs 2.8%	Intl Stocks 39.2%	Small-Cap Stocks 18.3%	Mid-Cap Stocks 12.7%	Large-Cap Stocks 15.8%	Hedge Funds 10.0%	Emg-Mkt Bonds -10.9%	Intl Stocks 32.5%	Commod 16.8%	60%, 40% Portfolio 5.0%	Mid-Cap Stocks 17.3%	60%, 40% Portfolio 17.7%	Inv-Grade Bonds 6.0%	Inv-Grade Bonds 0.5%	High-Yield Bonds 7.6%
	CPI 1.6%	CPI 2.4%	High-Yield Bonds 29.0%	Balanced Portfolio 14.2%	Emg-Mkt Bonds 10.7%	Balanced Portfolio 15.8%	Balanced Portfolio 7.7%	Hedge Funds -19.0%	Emg-Mkt Bonds 28.2%	High-Yield Bonds 15.1%	CPI 3.0%	Small-Cap Stocks 16.3%	Balanced Portfolio 12.0%	Balanced Portfolio 5.8%	REITs 0.1%	Small-Cap Stocks 7.3%
	Emg-Mkt Bonds 1.4%	Treasury Bills 1.8%	Large-Cap Stocks 28.7%	Dev-Mkt Bonds 12.0%	Hedge Funds 9.3%	Mid-Cap Stocks 15.3%	Inv-Grade Bonds 7.0%	60%, 40% Portfolio -21.6%	Balanced Portfolio 27.9%	Large-Cap Stocks 15.1%	Large-Cap Stocks 2.1%	Large-Cap Stocks 16.0%	Hedge Funds 9.1%	Emg-Mkt Bonds 5.5%	Treasury Bills 0.0%	Balanced Portfolio 6.6%
	Balanced Portfolio -1.6%	High-Yield Bonds -1.4%	Balanced Portfolio 26.7%	Emg-Mkt Bonds 11.7%	Balanced Portfolio 8.7%	Hedge Funds 12.9%	Emg-Mkt Bonds 6.3%	High-Yield Bonds -26.2%	Small-Cap Stocks 27.2%	Balanced Portfolio 14.1%	Treasury Bills 0.1%	High-Yield Bonds 15.8%	High-Yield Bonds 7.4%	Small-Cap Stocks 4.9%	Intl Stocks -0.4%	60%, 40% Portfolio 5.4%
	Emg-Mkt Stocks -2.4%	Hedge Funds -1.4%	Emg-Mkt Bonds 25.7%	High-Yield Bonds 11.1%	Large-Cap Stocks 4.9%	High-Yield Bonds 11.8%	60%, 40% Portfolio 6.2%	Balanced Portfolio -26.4%	Large-Cap Stocks 26.5%	60%, 40% Portfolio 12.2%	Balanced Portfolio -0.6%	Balanced Portfolio 13.0%	REITs 4.4%	Hedge Funds 3.0%	Hedge Funds -0.8%	Hedge Funds 5.4%
	60%, 40% Portfolio -3.3%	Balanced Portfolio -3.9%	Commod 23.9%	Large-Cap Stocks 10.9%	Small-Cap Stocks 4.6%	60%, 40% Portfolio 11.1%	Mid-Cap Stocks 5.6%	Small-Cap Stocks -33.8%	Hedge Funds 20.0%	Emg-Mkt Bonds 12.0%	Mid-Cap Stocks -1.5%	60%, 40% Portfolio 11.4%	CPI 1.6%	High-Yield Bonds 2.5%	Balanced Portfolio -1.9%	Large-Cap Stocks 5.0%
	Dev-Mkt Bonds -3.6%	Emg-Mkt Bonds -6.0%	Hedge Funds 19.6%	Commod 9.1%	60%, 40% Portfolio 3.9%	Emg-Mkt Bonds 9.9%	Large-Cap Stocks 5.5%	Commod -35.6%	Commod 18.9%	Hedge Funds 10.2%	Small-Cap Stocks -4.2%	Hedge Funds 6.4%	Treasury Bills 0.0%	CPI 1.6%	Mid-Cap Stocks -2.4%	Inv-Grade Bonds 5.0%
	REITs -3.8%	60%, 40% Portfolio -9.5%	60%, 40% Portfolio 18.6%	Hedge Funds 9.0%	CPI 3.4%	Dev-Mkt Bonds 6.8%	Treasury Bills 4.9%	Large-Cap Stocks -37.0%	60%, 40% Portfolio 18.5%	Intl Stocks 8.2%	Hedge Funds -5.2%	Inv-Grade Bonds 4.2%	Inv-Grade Bonds -2.0%	Treasury Bills 0.0%	Small-Cap Stocks -4.4%	Dev-Mkt Bonds 4.6%
	Mid-Cap Stocks -5.6%	Intl Stocks -15.7%	Dev-Mkt Bonds 18.6%	60%, 40% Portfolio 8.4%	Treasury Bills 2.9%	Treasury Bills 4.7%	CPI 4.1%	Mid-Cap Stocks -41.5%	Inv-Grade Bonds 5.9%	Dev-Mkt Bonds 6.8%	REITs -5.8%	CPI 1.7%	Emg-Mkt Stocks -2.3%	Emg-Mkt Stocks -1.8%	High-Yield Bonds -4.5%	Intl Stocks 4.0%
	Large-Cap Stocks -11.9%	Mid-Cap Stocks -16.2%	Inv-Grade Bonds 4.1%	Inv-Grade Bonds 4.3%	High-Yield Bonds 2.7%	Inv-Grade Bonds 4.3%	High-Yield Bonds 1.9%	Intl Stocks -43.1%	Dev-Mkt Bonds 3.9%	Inv-Grade Bonds 6.5%	Intl Stocks -11.7%	Dev-Mkt Bonds 0.8%	Dev-Mkt Bonds -5.1%	Dev-Mkt Bonds -2.5%	Dev-Mkt Bonds -4.8%	CPI 2.2%
	Commod -19.5%	Small-Cap Stocks -20.5%	CPI 1.9%	CPI 3.3%	Inv-Grade Bonds 2.4%	CPI 2.5%	Small-Cap Stocks -1.6%	REITs -47.7%	CPI 2.7%	CPI 1.5%	Commod -13.3%	Treasury Bills 0.1%	Emg-Mkt Bonds -6.6%	Intl Stocks -4.5%	Emg-Mkt Stocks -14.6%	Treasury Bills 1.6%
	Intl Stocks -21.2%	Large-Cap Stocks -22.1%	Treasury Bills 1.1%	Treasury Bills 1.1%	Dev-Mkt Bonds -9.2%	Commod 2.1%	REITs -7.0%	Emg-Mkt Stocks -53.2%	Treasury Bills 0.2%	Treasury Bills 0.1%	Emg-Mkt Stocks -18.2%	Commod -1.1%	Commod -9.5%	Commod -17.0%	Commod -24.7%	Commod -1.0%

Data as of 12/31/2015

■Source: FactSet; An index is unmanaged and not available for direct investment. Past Performance is no guarantee of future results.

Disclosures (continued)

Structured Credit/Asset Backed. The HFRI RV: Fixed Income-Asset Backed Index. includes strategies predicated on realization of a spread between related instruments in which one or multiple components of the spread is a fixed-income instrument backed by physical collateral or other financial obligations (loans, credit cards) other than those of a specific corporation. Strategies are designed to isolate attractive opportunities between a variety of fixed income instruments specifically securitized by collateral commitments, which frequently include loans, pools and portfolios of loans, receivables, real estate, machinery or other tangible financial commitments. Investment thesis may be predicated on an attractive spread given the nature and quality of the collateral, the liquidity characteristics of the underlying instruments and on issuance and trends in collateralized fixed-income instruments, broadly speaking. In many cases, investment managers hedge, limit, or offset interest-rate exposure in the interest of isolating the risk of the position to strictly the disparity between the yield of the instrument and that of the lower-risk instruments.

Merger Arbitrage. HFRI ED: Merger Arbitrage Index. Strategies primarily focus on opportunities in equity and equity-related instruments of companies that are currently engaged in a corporate transaction. Merger Arbitrage involves primarily announced transactions, typically with limited or no exposure to situations in which no formal announcement is expected to occur. Opportunities are frequently presented in cross-border, collared, and international transactions that incorporate multiple geographic regulatory institutions, typically with minimal exposure to corporate credits. Strategies typically have over 75 percent of positions in announced transactions over a given market cycle.

Equity Hedge. HFRI Equity Hedge (Total) Index. Equity Hedge: Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH managers would typically maintain at least 50 percent exposure to, and may in some cases be entirely invested in, equities, both long and short.

Directional Equity. HFRX EH: Multi-Strategy Index. Managers maintain positions both long and short in primarily equity and equity-derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage, holding period, concentrations of market capitalizations, and valuation ranges of typical portfolios. Managers typically do not maintain more than 50 percent exposure to any one Equity Hedge sub-strategy.

Equity Market Neutral. HFRI EH: Equity Market Neutral Index. Strategies employ sophisticated quantitative techniques to analyze price data to ascertain information about future price movement and relationships between securities. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Factor-based investment strategies include strategies predicated on the systematic analysis of common relationships between securities. In many cases, portfolios are constructed to be neutral to one or multiple variables, such as broader equity markets in dollar or beta terms, and leverage is frequently employed to enhance the return profile of the positions identified. Statistical Arbitrage/Trading strategies consist of strategies predicated on exploiting pricing anomalies which may occur as a function of expected mean reversion inherent in security prices; high-frequency techniques may be employed; trading strategies may also be based on technical analysis or designed opportunistically to exploit new information that the investment manager believes has not been fully, completely, or accurately discounted into current security prices. Strategies typically maintain characteristic net equity market exposure no greater than 10 percent long or short.

The Cambridge Associates LLC U.S. Private Equity Index® is an end-to-end calculation based on data compiled from 1,152 U.S. private equity funds (buyout, growth equity, private equity energy and mezzanine funds), including fully liquidated partnerships, formed between 1986 and 2014. Pooled end-to-end return, net of fees, expenses, and carried interest. The latest published returns data are as of September 30, 2014.

Note: While the HFRI Indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and, therefore, the index may omit funds, the inclusion of which might significantly affect the performance shown). The HFRI Indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Returns of the underlying hedge funds are net of fees and are denominated in USD.

Saint Paul Public Schools

February 9, 2016

U.S. Bank, Institutional Trust & Custody

Investment products and services are:

NOT A DEPOSIT	NOT FDIC INSURED	MAY LOSE VALUE	NOT BANK GUARANTEED	NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
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 - Fixed Income Analysis
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Selected Period Performance
SAINT PAUL PUBLIC SCHOOLS
Account 19-SPPS001
Period Ending: 12/31/2015

<u>Sector</u>	<u>Market Value</u>	<u>1 Month</u>	<u>3 Months</u>	<u>6 Months</u>	<u>9 Months</u>	<u>Inception to Date (11 Months)</u>
Total Portfolio Gross of Fees	25,151,940	-.14	-.10	.45	.54	.60
Total Portfolio Net of Fees	25,151,940	-.14	-.10	.45	.54	.60
Total Fixed Income	24,581,851	-.14	-.10	.46	.54	
Barclays 1-3 Yr Govt Index		-.10	-.43	-.11	.03	.05
Total Cash Equivalents	570,089	.00	.00	.00	.00	.00
Pending Cash	0	.00	.00	.00	.00	.00
Citigroup 1 Mo T-Bill Index		.01	.01	.01	.01	.02

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Portfolio Inception: 02/01/2015 Not A Deposit, Not FDIC Insured, May Lose Value, Not Bank Guaranteed, Not Insured By Any Federal Government Agency

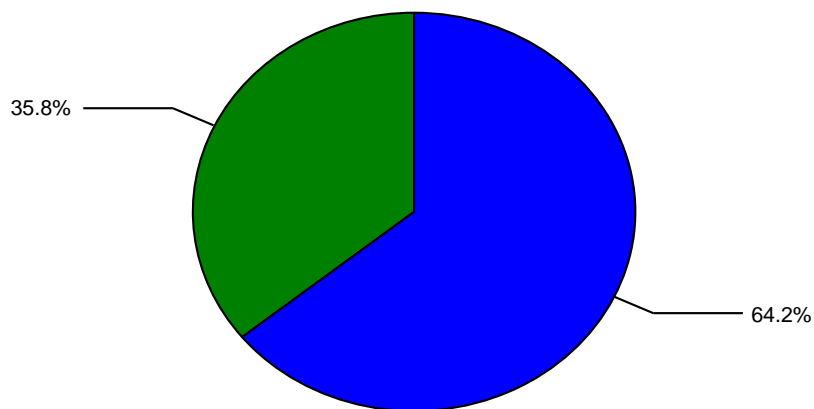
Past performance does not guarantee future results. Performance returns may not reflect the deduction of applicable fees, which would reduce returns. Information is deemed reliable but may be subject to change.



Fixed Income Analysis
SAINT PAUL PUBLIC SCHOOLS
Account 19-SPPS001
Period Ending: 12/31/2015

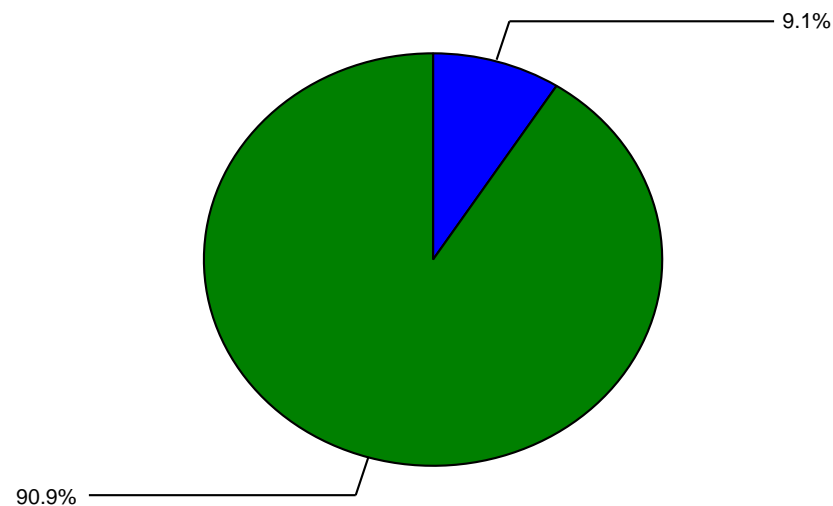
	12/31/2015	09/30/2015	06/30/2015	03/31/2015
Average Duration	2.79	2.97	2.96	3.27
Average Coupon	1.35	1.35	1.26	1.30
Average Yield to Maturity	1.46	1.30	1.29	1.28
Average Maturity	2.85	3.05	3.02	3.35
Average Current Yield	1.35	1.34	1.27	1.30
Total Face Amount	24,570,000.00	24,845,000.00	23,920,000.00	22,430,000.00
Total Market Value	24,497,442.50	24,876,312.20	23,888,625.95	22,452,421.30
Total Cost	24,579,915.50	24,854,853.00	23,930,370.50	22,440,370.50

Fixed Income Quality Allocation by Market Value



■ AA+ ■ Not Rated

Maturity Allocation by Market Value



■ Less than 1 Year ■ (1-5 Years) Short

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Fixed Income Assessment
SAINT PAUL PUBLIC SCHOOLS
Account 19-SPPS001
Period Ending: 12/31/2015

Sector/Asset	ID	Units	Unit Cost	Current Price	Market Value	S & P Rating	Moody Rating	Call Date/Price	Put Date/Price
Gov/Agency Bonds									
F H L B DEB 1.450% 10/15/18	3130A4PZ9	1,000,000.000	100.00	99.61	999,171.11	AA+	AAA	04/15/2016 100.000	
F H L B DEB 1.125% 1/08/18	3130A4QE5	1,000,000.000	100.00	99.73	1,002,736.25	AA+	WR		
F H L B DEB 1.250% 4/13/18	3130A4QS4	1,000,000.000	100.00	100.07	1,003,418.33	AA+	AAA	04/13/2016 100.000	
F H L B 1.350% 7/13/18	3130A4R53	1,000,000.000	100.00	99.97	1,002,625.00	AA+	AAA	04/13/2016 100.000	
F H L B DEB 2.000% 7/27/20	3130A5TW9	1,000,000.000	100.00	100.46	1,013,165.56	AA+	AAA	07/27/2016 100.000	
F H L B 1.350% 10/29/18	3130A62F3	1,000,000.000	100.00	100.12	1,006,940.00	AA+	AAA	07/29/2016 100.000	
F F C B DEB 0.280% 3/04/16	3133EESJ0	750,000.000	99.95	100.01	750,727.50	AA+	AAA		
F F C B DEB 1.220% 3/23/18	3133EEUQ1	1,000,000.000	100.00	99.81	1,001,371.11	AA+	AAA	03/23/2016 100.000	
F F C B DEB 1.540% 4/01/19	3133EEWB2	1,000,000.000	100.00	99.78	1,001,620.00	AA+	AAA	04/01/2016 100.000	
F F C B 1.780% 4/01/20	3133EEWL0	1,000,000.000	100.00	100.10	1,005,450.00	AA+	AAA	04/01/2016 100.000	
F H L M C M T N 1.000% 8/27/18	3134G74S7	1,000,000.000	100.00	99.16	992,514.44	AA+	AAA	05/27/2016 100.000	
F H L M C M T N 1.500% 3/29/19	3134G7WA5	1,000,000.000	100.00	100.11	1,004,973.33	AA+	AAA	03/29/2016 100.000	
F N M A DEB 1.625% 1/21/20	3135G0A78	1,000,000.000	100.54	99.62	1,003,452.22	AA+	NA		
F N M A 1.300% 11/27/18	3135G0G98	750,000.000	100.00	99.68	748,498.33	AA+	AAA	05/27/2016 100.000	
F N M A 1.750% 11/26/19	3135G0ZY2	1,000,000.000	101.25	100.51	1,006,831.39	AA+	AAA		
F H L M C M T N 1.250% 10/02/19	3137EADM8	1,250,000.000	99.39	98.64	1,236,825.35	AA+	AAA		
Total Gov/Agency Bonds					15,780,319.92				
Corporate Bonds									
ALLY BANK C D 1.200% 3/26/18	02006LPS6	245,000.000	100.00	99.15	243,689.02		NA		
AMERICAN EXPRESS C D 1.400% 1/08/18	02587CDJ6	245,000.000	100.00	99.57	245,609.82	.	NA		
AMER NATL BK C D 1.450% 3/29/19	02771PMH7	245,000.000	100.00	99.11	242,851.15		NA		

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Fixed Income Assessment
SAINT PAUL PUBLIC SCHOOLS
Account 19-SPPS001
Period Ending: 12/31/2015

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Sector/Asset	ID	Units	Unit Cost	Current Price	Market Value	S & P Rating	Moody Rating	Call Date/Price	Put Date/Price
BMO HARRIS BANK C D 1.100% 10/10/17	05573J5A8	245,000.000	100.00	99.70	244,887.74	.	.		
BMW BANK C D 2.250% 7/17/20	05580ACF9	245,000.000	100.00	99.53	246,395.56	.	.		
BELMONT SVGS BK C D 1.150% 3/23/18	080515BJ7	245,000.000	100.00	99.04	242,727.27		NA		
CAMBRIDGE TR C D 1.500% 4/22/19	132555AC7	245,000.000	100.00	99.35	243,515.53	.	NA		
CAPITAL ONE BANK C D 2.000% 7/08/19	140420TD2	245,000.000	100.00	99.41	245,933.11	.	.		
CATHAY BANK C D 1.150% 9/22/17	149159KP9	245,000.000	100.00	99.60	244,099.64	.	.		
CITIZENS STATE B C D 0.500% 6/17/16	17669WFB6	245,000.000	100.00	100.00	245,060.14				
COMENITY CAP BK C D 1.600% 7/06/18	20033ALH7	245,000.000	100.00	99.23	243,395.18	.	NA		
DISCOVER BK C D 1.950% 3/25/20	254672KM9	245,000.000	100.00	99.01	243,862.13				
EAST BOSTON C D 1.300% 4/30/19	27113PAS0	245,000.000	100.00	99.65	244,155.05	.	NA		
EVERBANK FL C D 1.500% 4/29/20	29976DWW6	245,000.000	100.00	98.94	243,052.28		NA		
FIRST BUSINESS C D 1.700% 7/31/19	31938QN75	245,000.000	100.00	99.71	246,046.79	.	NA		
FIRST MERIT OH C D 1.350% 7/23/18	320844PN7	245,000.000	100.00	99.42	245,044.54	.	NA		
FIRST NATL BANK C D 0.400% 3/28/16	32111LCD2	245,000.000	100.00	99.97	244,932.57		NA		
FIRST NIAGARA BK C D 1.100% 10/30/17	33583CSV2	245,000.000	100.00	99.63	244,551.31	.	.		
FRANKLIN SYNERGY C D 1.200% 10/23/17	35471TCB6	245,000.000	100.00	99.67	244,264.70	.	.	02/22/2016 100.000	
GOLDMAN SACHS BK C D 2.000% 3/25/20	38148JPB1	245,000.000	100.00	99.01	243,897.47				
GORHAM SAVINGS C D 1.350% 4/15/19	383052DH7	245,000.000	100.00	99.69	244,408.51	.	NA		
INVESTORS C D 0.900% 3/27/17	46176PDX0	245,000.000	100.00	99.85	245,229.43		NA		
JP MORGAN CHASE C D 1.400% 3/25/18	48125T5R2	245,000.000	100.00	99.58	244,036.78			03/25/2016 100.000	
KEY BK NA C D 1.350% 10/15/18	49306SVH6	245,000.000	100.00	99.66	244,880.42	.	NA		

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Fixed Income Assessment
SAINT PAUL PUBLIC SCHOOLS
Account 19-SPPS001
Period Ending: 12/31/2015

Sector/Asset	ID	Units	Unit Cost	Current Price	Market Value	S & P Rating	Moody Rating	Call Date/Price	Put Date/Price
LCA BK CORP C D 1.500% 2/21/19	501798HC9	245,000.000	100.00	99.33	244,997.48	.	NA		
MB FINANCIAL C D 0.400% 3/24/16	55266CLL8	245,000.000	100.00	99.97	244,947.98		NA		
MEDALLION BK C D 1.900% 7/22/19	58403BY42	245,000.000	100.00	99.40	243,660.49	.	NA		
MERCANTIL C D 0.550% 3/24/16	58733ABL2	245,000.000	100.00	100.01	246,058.20				
NORTHERN BK C D 1.400% 7/30/18	66476QBE7	245,000.000	100.00	99.65	244,722.28	.	NA		
PACIFIC CA C D 0.500% 3/18/16	69506YCJ6	245,000.000	100.00	99.99	245,943.62				
PEOPLES UNITED C D 1.800% 4/15/20	71270QMS2	245,000.000	100.00	98.99	243,465.46				
SALLIE MAE BK C D 1.150% 11/06/17	795450WT8	245,000.000	100.00	99.60	244,475.06	.	.		
SYNCHRONY BANK C D 2.000% 3/20/20	87165HGV6	245,000.000	100.00	99.11	244,192.44				
UNITED BK CT C D 0.450% 3/18/16	909552AV3	245,000.000	100.00	99.98	245,825.25				
WEBBANK CORP C D 1.100% 2/28/18	947547HU2	245,000.000	100.00	99.02	242,608.87	.	NA	03/01/2016 100.000	
WELLS FARGO BK C D 1.000% 10/30/17	9497482K2	245,000.000	100.00	99.63	244,108.10	.	NA		
Total Corporate Bonds					8,801,531.37				
Total					24,581,851.29				

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Portfolio Holdings
SAINT PAUL PUBLIC SCHOOLS
Account 19-SPPS001
Period Ending: 12/31/2015

ID	Asset	Units	Unit Cost	Total Cost	Current Price	Current Market Value	Current Accrual	% of Total	Unrealized Gain/Loss
Money Market Funds									
31846V203	FIRST AMER GOVT OBLIG FUND CL Y	570,086.080	1.00	570,086.08	1.00	570,086.08	2.78	2.27	.00
Total Money Market Funds				570,086.08		570,086.08	2.78	2.27	.00
Gov/Agency Bonds									
3130A4PZ9	F H L B DEB 1.450% 10/15/18	1,000,000.000	100.00	1,000,000.00	99.61	996,110.00	3,061.11	3.97	-3,890.00
3130A4QE5	F H L B DEB 1.125% 1/08/18	1,000,000.000	100.00	1,000,000.00	99.73	997,330.00	5,406.25	3.98	-2,670.00
3130A4QS4	F H L B DEB 1.250% 4/13/18	1,000,000.000	100.00	1,000,000.00	100.07	1,000,710.00	2,708.33	3.99	710.00
3130A4R53	F H L B 1.350% 7/13/18	1,000,000.000	100.00	1,000,000.00	99.97	999,700.00	2,925.00	3.99	-300.00
3130A5TW9	F H L B DEB 2.000% 7/27/20	1,000,000.000	100.00	1,000,000.00	100.46	1,004,610.00	8,555.56	4.01	4,610.00
3130A62F3	F H L B 1.350% 10/29/18	1,000,000.000	100.00	1,000,000.00	100.12	1,001,240.00	5,700.00	3.99	1,240.00
3133EESJ0	F F C B DEB 0.280% 3/04/16	750,000.000	99.95	749,625.00	100.01	750,045.00	682.50	2.99	420.00
3133EEUQ1	F F C B DEB 1.220% 3/23/18	1,000,000.000	100.00	1,000,000.00	99.81	998,050.00	3,321.11	3.98	-1,950.00
3133EEWB2	F F C B DEB 1.540% 4/01/19	1,000,000.000	100.00	1,000,000.00	99.78	997,770.00	3,850.00	3.98	-2,230.00
3133EEWL0	F F C B 1.780% 4/01/20	1,000,000.000	100.00	1,000,000.00	100.10	1,001,000.00	4,450.00	3.99	1,000.00
3134G74S7	F H L M C M T N 1.000% 8/27/18	1,000,000.000	100.00	1,000,000.00	99.16	991,570.00	944.44	3.96	-8,430.00
3134G7WA5	F H L M C M T N 1.500% 3/29/19	1,000,000.000	100.00	1,000,000.00	100.11	1,001,140.00	3,833.33	3.99	1,140.00
3135G0A78	F N M A DEB 1.625% 1/21/20	1,000,000.000	100.54	1,005,388.00	99.62	996,230.00	7,222.22	3.97	-9,158.00
3135G0G98	F N M A 1.300% 11/27/18	750,000.000	100.00	750,000.00	99.68	747,577.50	920.83	2.98	-2,422.50
3135G0ZY2	F N M A 1.750% 11/26/19	1,000,000.000	101.25	1,012,490.00	100.51	1,005,130.00	1,701.39	4.01	-7,360.00
3137EADM8	F H L M C M T N 1.250% 10/02/19	1,250,000.000	99.39	1,242,412.50	98.64	1,232,962.50	3,862.85	4.92	-9,450.00
Total Gov/Agency Bonds				15,759,915.50		15,721,175.00	59,144.92	62.72	-38,740.50
Corporate Bonds									
02006LPS6	ALLY BANK C D 1.200% 3/26/18	245,000.000	100.00	245,000.00	99.15	242,907.70	781.32	.97	-2,092.30
02587CDJ6	AMERICAN EXPRESS C D 1.400% 1/08/18	245,000.000	100.00	245,000.00	99.57	243,946.50	1,663.32	.97	-1,053.50
02771PMH7	AMER NATL BK C D 1.450% 3/29/19	245,000.000	100.00	245,000.00	99.11	242,821.95	29.20	.97	-2,178.05
05573J5A8	BMO HARRIS BANK C D 1.100% 10/10/17	245,000.000	100.00	245,000.00	99.70	244,252.75	634.99	.97	-747.25
05580ACF9	BMW BANK C D 2.250% 7/17/20	245,000.000	100.00	245,000.00	99.53	243,858.30	2,537.26	.97	-1,141.70
080515BJ7	BELMONT SVGS BK C D 1.150% 3/23/18	245,000.000	100.00	245,000.00	99.04	242,657.80	69.47	.97	-2,342.20
132555AC7	CAMBRIDGE TR C D 1.500% 4/22/19	245,000.000	100.00	245,000.00	99.35	243,414.85	100.68	.97	-1,585.15
140420TD2	CAPITAL ONE BANK C D 2.000% 7/08/19	245,000.000	100.00	245,000.00	99.41	243,556.95	2,376.16	.97	-1,443.05
149159KP9	CATHAY BANK C D 1.150% 9/22/17	245,000.000	100.00	245,000.00	99.60	244,022.45	77.19	.97	-977.55
17669WFB6	CITIZENS STATE B C D 0.500% 6/17/16	245,000.000	100.00	245,000.00	100.00	245,009.80	50.34	.98	9.80
20033ALH7	COMENITY CAP BK C D 1.600% 7/06/18	245,000.000	100.00	245,000.00	99.23	243,115.95	279.23	.97	-1,884.05
254672KM9	DISCOVER BK C D 1.950% 3/25/20	245,000.000	100.00	245,000.00	99.01	242,579.40	1,282.73	.97	-2,420.60
27113PAS0	EAST BOSTON C D 1.300% 4/30/19	245,000.000	100.00	245,000.00	99.65	244,137.60	17.45	.97	-862.40
29976DWW6	EVERBANK FL C D 1.500% 4/29/20	245,000.000	100.00	245,000.00	98.94	242,407.90	644.38	.97	-2,592.10

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Portfolio Holdings
SAINT PAUL PUBLIC SCHOOLS
Account 19-SPPS001
Period Ending: 12/31/2015

ID	Asset	Units	Unit Cost	Total Cost	Current Price	Current Market Value	Current Accrual	% of Total	Unrealized Gain/Loss
31938QN75	FIRST BUSINESS C D 1.700% 7/31/19	245,000.000	100.00	245,000.00	99.71	244,289.50	1,757.29	.97	-710.50
320844PN7	FIRST MERIT OH C D 1.350% 7/23/18	245,000.000	100.00	245,000.00	99.42	243,576.55	1,467.99	.97	-1,423.45
32111LCD2	FIRST NATL BANK C D 0.400% 3/28/16	245,000.000	100.00	245,000.00	99.97	244,919.15	13.42	.98	-80.85
33583CSV2	FIRST NIAGARA BK C D 1.100% 10/30/17	245,000.000	100.00	245,000.00	99.63	244,086.15	465.16	.97	-913.85
35471TCB6	FRANKLIN SYNERGY C D 1.200% 10/23/17	245,000.000	100.00	245,000.00	99.67	244,184.15	80.55	.97	-815.85
38148JPB1	GOLDMAN SACHS BK C D 2.000% 3/25/20	245,000.000	100.00	245,000.00	99.01	242,581.85	1,315.62	.97	-2,418.15
383052DH7	GORHAM SAVINGS C D 1.350% 4/15/19	245,000.000	100.00	245,000.00	99.69	244,245.40	163.11	.97	-754.60
46176PDX0	INVESTORS C D 0.900% 3/27/17	245,000.000	100.00	245,000.00	99.85	244,637.40	592.03	.98	-362.60
48125T5R2	JP MORGAN CHASE C D 1.400% 3/25/18	245,000.000	100.00	245,000.00	99.58	243,971.00	65.78	.97	-1,029.00
49306SVH6	KEY BK NA C D 1.350% 10/15/18	245,000.000	100.00	245,000.00	99.66	244,164.55	715.87	.97	-835.45
501798HC9	LCA BK CORP C D 1.500% 2/21/19	245,000.000	100.00	245,000.00	99.33	243,346.25	1,651.23	.97	-1,653.75
55266CCL8	MB FINANCIAL C D 0.400% 3/24/16	245,000.000	100.00	245,000.00	99.97	244,926.50	21.48	.98	-73.50
58403BY42	MEDALLION BK C D 1.900% 7/22/19	245,000.000	100.00	245,000.00	99.40	243,520.20	140.29	.97	-1,479.80
58733ABL2	MERCANTIL C D 0.550% 3/24/16	245,000.000	100.00	245,000.00	100.01	245,024.50	1,033.70	.98	24.50
66476QBE7	NORTHERN BK C D 1.400% 7/30/18	245,000.000	100.00	245,000.00	99.65	244,130.25	592.03	.97	-869.75
69506YCJ6	PACIFIC CA C D 0.500% 3/18/16	245,000.000	100.00	245,000.00	99.99	244,980.40	963.22	.98	-19.60
71270QMS2	PEOPLES UNITED C D 1.800% 4/15/20	245,000.000	100.00	245,000.00	98.99	242,523.05	942.41	.97	-2,476.95
795450WT8	SALLIE MAE BK C D 1.150% 11/06/17	245,000.000	100.00	245,000.00	99.60	244,027.35	447.71	.97	-972.65
87165HGV6	SYNCHRONY BANK C D 2.000% 3/20/20	245,000.000	100.00	245,000.00	99.11	242,809.70	1,382.74	.97	-2,190.30
909552AV3	UNITED BK CT C D 0.450% 3/18/16	245,000.000	100.00	245,000.00	99.98	244,958.35	866.90	.98	-41.65
947547HU2	WEBBANK CORP C D 1.100% 2/28/18	245,000.000	100.00	245,000.00	99.02	242,594.10	14.77	.97	-2,405.90
9497482K2	WELLS FARGO BK C D 1.000% 10/30/17	245,000.000	100.00	245,000.00	99.63	244,081.25	26.85	.97	-918.75
Total Corporate Bonds				8,820,000.00		8,776,267.50	25,263.87	35.01	-43,732.50
Total				25,150,001.58		25,067,528.58	84,411.57	100.00	-82,473.00

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Adopted: 1974 Saint Paul Public Schools Policy 701.00
 Revised: 5/2/1995; 6/17/2008, 2/13/13

701.00 INVESTMENTS AND BANKING

DEPOSITORIES

The Board shall designate depositories for District funds each year at its organizational meeting in January.

NAMING CUSTODIANS

At its annual organization meeting, the School Board shall designate several banks to act as custodian for safekeeping of the collateral pledged to secure School District deposits.

INVESTMENTS

1. The Board authorizes the Chief Business Officer to invest any and all surpluses of District funds, when, in his/her judgment, the investments are advantageous to the District.
2. Such investments shall be made in conformity with the District investment policy and shall be for a term no longer than five (5) years.

LEGAL REFERENCES:

Minn. Stat. § 118A.02
 Minn. Stat. Sec 471.6175, subd. 5(d)
 Minn. Stat. Sec 356A.06, subd. 7

CROSS REFERENCES:

705.00, Investments

Adopted: 5/2/1995
Revised: 6/17/2008

Saint Paul Public Schools Policy 705.00

705.00 INVESTMENTS

The investment policy of the District shall include the following five objectives:

LIQUIDITY

The Chief Business Officer shall in all transactions consider liquidity as a priority in order to supply cash when needed to support the educational programs of the District.

SAFETY

The District shall do business with those firms that offer the District protection in regard to safekeeping, delivery and receipt of investments. Firms that do not meet these standards shall not be considered. Local financial institutions shall be given priority over non-local institutions.

YIELD

The District shall maximize its yield on investment of available cash. When funds are available for investing, several firms shall be contacted for quotes.

POOLED INVESTMENT CONCEPT

Whenever possible, the District shall combine available cash from various accounts and funds in order to maximize yield. Earnings on pooled investments shall be allocated to accounts and funds based on the cash balances in those accounts.

BORROWING

1. The District shall utilize the services of a municipal-bond consultant when issuing either short- or long-term obligations or when refunding existing obligations.
2. The investment activities of the District shall include short-term cash-flow analysis. The Chief Business Officer shall manage the investment of public monies so that the maturity coincides with expenditure needs.
3. The monthly and annual activities of the District shall include long-term projections. In November of each year, the Chief Business Officer shall make a cash projection that covers the current calendar year plus the subsequent calendar year. The long-term projections shall identify projected monthly cash balances over this two- year period.

The management of the District's funds shall be monitored on a daily basis.

LEGAL REFERENCES:

Minn. Stat. § 118A.04

Minn. Stat. § 118A.05
Minn. Stat. § 118A.06
Minn. Stat. § 118A.07

CROSS REFERENCES:

701.00, Investments and Banking

Market Review and Outlook

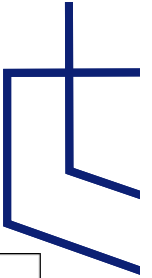
January 2016

U.S. Bank, Institutional Trust & Custody

Investment products and services are:

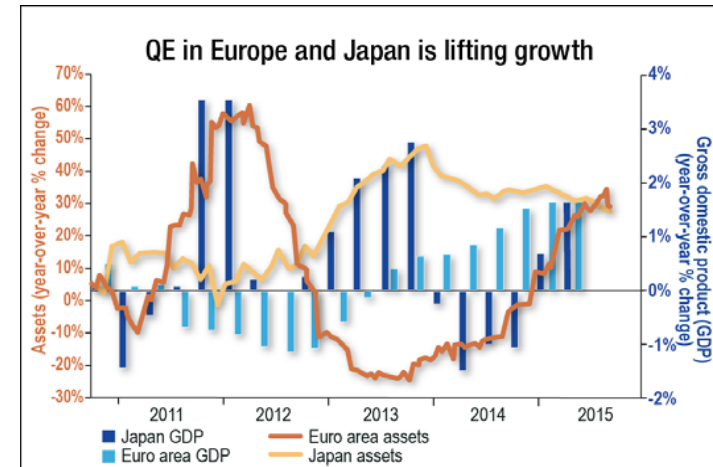
NOT A DEPOSIT	NOT FDIC INSURED	MAY LOSE VALUE	NOT BANK GUARANTEED	NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
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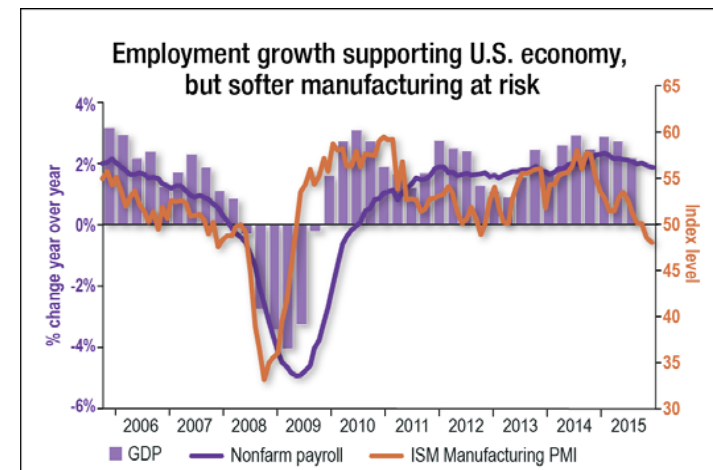


Views: Global Economy – January 2016

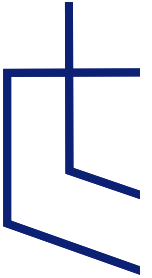
- The U.S. economy should remain on solid footing into 2016, based on a strong jobs market, some government stimulus and the lagged effects of lower commodity prices.
 - Softer manufacturing data remains a risk to our outlook. The slowdown has primarily occurred in energy and mining industries due to lower prices. Manufacturing activity should stabilize in line with commodity prices.
 - Government spending is moving to a supporting role for economic growth from a detractor in prior years because the deficit has been reduced. The year-end spending and tax cut bill will likely provide some lift to the economy.
 - Inflation should normalize from this year's low rates as food and energy price declines abate.
- Major developed economies, particularly Europe and Japan, should see better growth in 2016 after a lackluster 2015.
 - Significant monetary stimulus should lift growth for both economies, along with some normalization in the pace of headline inflation.
 - Manufacturing indicators have been a bright spot and this sector should continue to see benefits from the weakness in the yen and euro.
 - Structural issues are risks for each economy, with Japan likely to see benefits from a change in minimum wage practices and a lift from additional structural reforms.
 - Deleveraging remains a headwind. European banks continue to face pressure to meet regulatory requirements, limiting total loan growth.
- Emerging economies will continue to see mixed results, with growth in China continuing to slow and Brazil mired in an inflationary recession, but growth in Russia and India is improving.
 - Easier monetary policies are likely to lift many emerging market nations while tighter monetary policy in response to continuing inflation pressures leaves Brazil in contraction.
 - Manufacturing growth continues to slow across many economies, including China, despite weaker currencies and monetary stimulus.
 - China economic rebalancing should continue. Consumer spending is growing at a rate of almost twice that of industrial production.



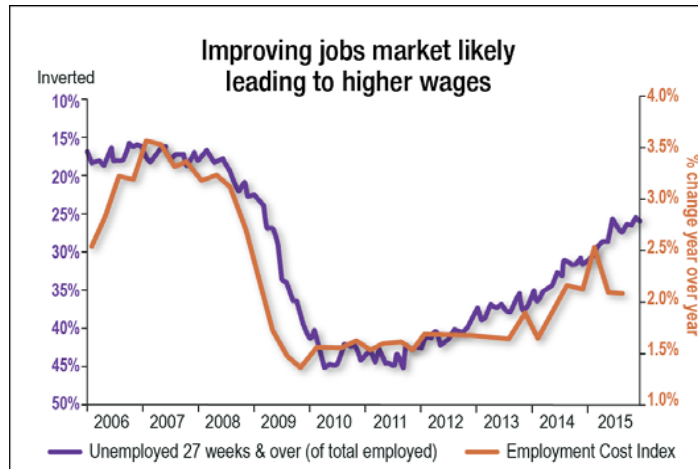
Source: FactSet; QE (Quantitative Easing); Japan GDP 3/31/11-9/30/15; Euro area GDP 3/31/11-9/30/15; Euro area assets 1/07/11-12/25/15; Japan assets 1/31/11-12/31/15



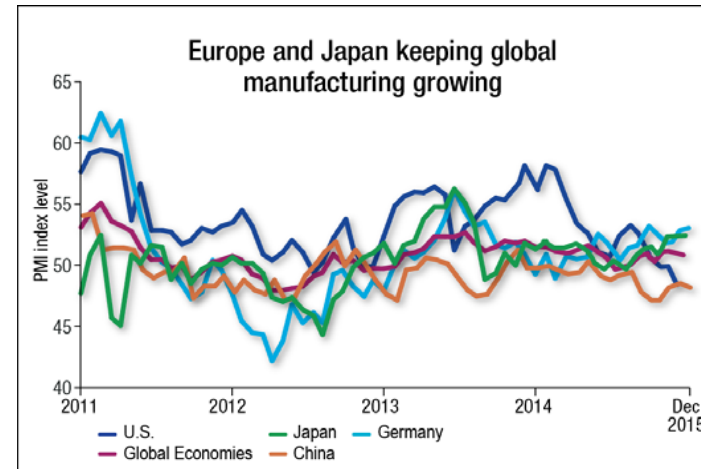
Source: FactSet; GDP (Gross Domestic Product); ISM (Institute for Supply Management); PMI (Purchasing Managers Index); GDP 3/31/06-9/30/15; ISM 1/31/06-12/31/15; Nonfarm payroll 1/31/06-12/31/15



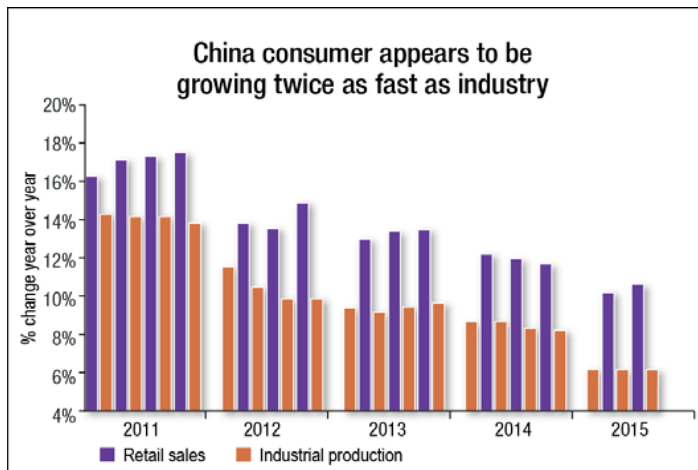
Charts: Global Economy – January 2016



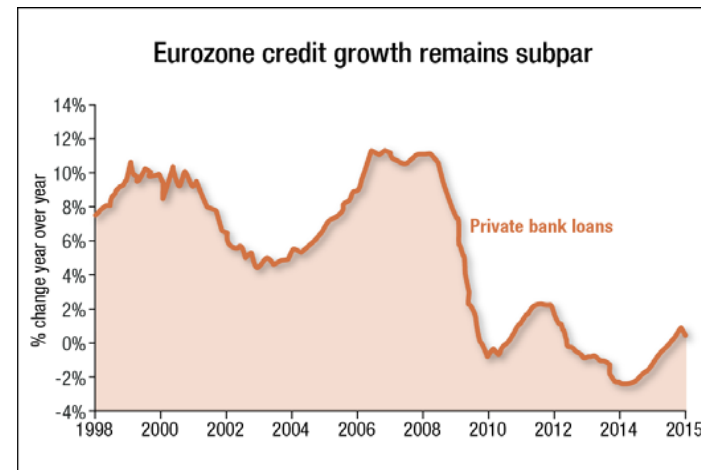
Source: FactSet; Unemployed 1/06-12/15; Employment Cost Index 1/06-3Q15



Source: Strategas Research Partners; PMI (Purchasing Managers Index)



Source: FactSet; 1Q11-3Q15



Source: Cornerstone Macro; 1/98-11/15

Views: Equity Markets – January 2016

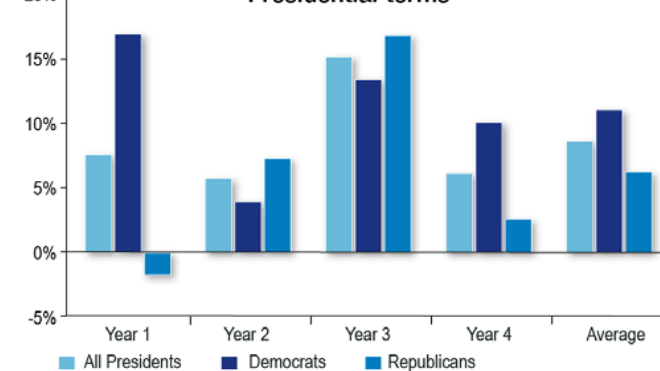
- Investors are entering 2016 at the crossroads of optimism and concern, with a near-term bias toward caution, as evidenced by the popular indices trading off over 6 percent during the first week of trading.
 - Our published 2016 price target for the S&P 500 is 2,225, which seems wildly optimistic following the early-year price declines. We plan to review our assumptions and target following fourth quarter results and updated company guidance.
- The risk profile of equities is elevated, causing angst among investors.
 - The pace of global growth remains slow; oil continues to trend down with the supply/demand imbalance; China continues to weigh on sentiment as investors worry about the country's ability to manage their economy, currency and stock market; geopolitical tensions remain high, with relations between Saudi Arabia and Iran being the conflict du jour; and valuations are at the high side of fair, implying a narrow margin of error.
- Despite the early-year weakness, the macro and fundamental backdrops still appear supportive of higher prices.
 - Inflation remains constrained, earnings are increasing, valuations are short of extremes, interest rates are low, sentiment is generally positive, and select equities offer both income and appreciation potential, with 43 percent of S&P 500 companies beginning the year with dividends yielding above the 10-year Treasury yield.
- We continue to believe that it is premature to forecast a prolonged downturn in the absence of rising inflation and a looming recession.
 - Bear markets have historically occurred in and around recessions when inflation is heating up, the Federal Reserve (Fed) is fully entrenched in a tightening mode, valuations are at extremes, and investor sentiment is approaching euphoria, which is not our current environment.
- Our grind higher thesis remains intact, anchored on the belief that the pace of inflation and wage gains will be moderate, and future Fed rate hikes will be deliberate, effectively paving the way for cyclical sectors and companies that are growing revenue, gaining market share, and with thematic appeal to perform well in a slow growth, low inflationary environment.
 - Select companies within Technology, Consumer Discretionary, Healthcare and, to a degree, Financials and Industrials, are among our favorites. Relatedly, it is plausible that outperformance in 2016 may be more about stock versus sector selection.

Market and sector performance

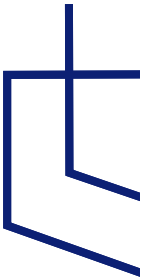
Index	Price 12/31/15	2014	2015
S&P 500	2,043.94	11.4%	-0.7%
Dow Jones Industrials	17,425.03	7.5%	-2.2%
Russell 2000	1,135.89	3.5%	-5.7%
MSCI EAFE	1,716.28	-7.2%	-3.3%
MSCI Emerging Markets	794.14	-4.8%	-17.0%
Sectors of the S&P 500		Weight	
Information Technology	20.8%	18.2%	4.3%
Financials	16.5%	13.1%	-3.5%
Health Care	15.2%	23.3%	5.2%
Consumer Discretionary	12.9%	8.0%	8.4%
Energy	6.4%	-10.0%	-23.6%
Consumer Staples	10.1%	12.9%	3.8%
Industrials	10.1%	7.5%	-4.7%
Materials	2.8%	4.7%	-10.4%
Utilities	3.0%	24.3%	-8.4%
Telecommunication Services	2.4%	-1.9%	-1.7%

Source: FactSet; data through 12/31/15; excludes dividends

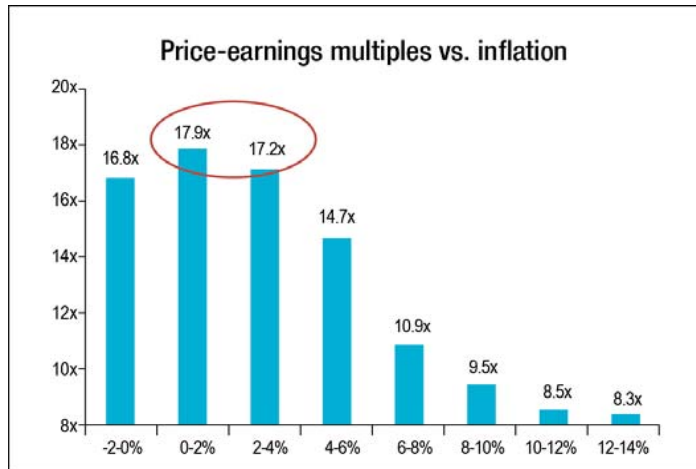
Change in S&P 500 during second Presidential terms



Source: Bloomberg, Cornerstone Macro; data period 1945-2015 (12/28/15)



Charts: Equity Markets – January 2016



Source: Strategas Research Partners; data period 1950-12/28/15

S&P 500 performance before and after first Fed tightening

Date of first raise	-6 mos	-3 mos	+3 mos	+6 mos	+12 mos
Mar 1983	27.0%	8.8%	9.9%	8.6%	4.1%
Jan 1987	0.2%	7.9%	19.1%	21.2%	2.6%
Mar 1988	-19.8%	4.1%	6.0%	5.4%	13.3%
Feb 1994	4.7%	2.7%	-3.9%	-2.4%	1.9%
Jun 1999	11.7%	6.7%	-6.6%	7.0%	6.0%
Jun 2004	2.6%	1.3%	-2.3%	6.2%	4.4%
Average	4.4%	5.2%	3.7%	7.7%	5.4%

Source: Strategas Research Partners; data as of December 2015; Past performance is no guarantee of future results.

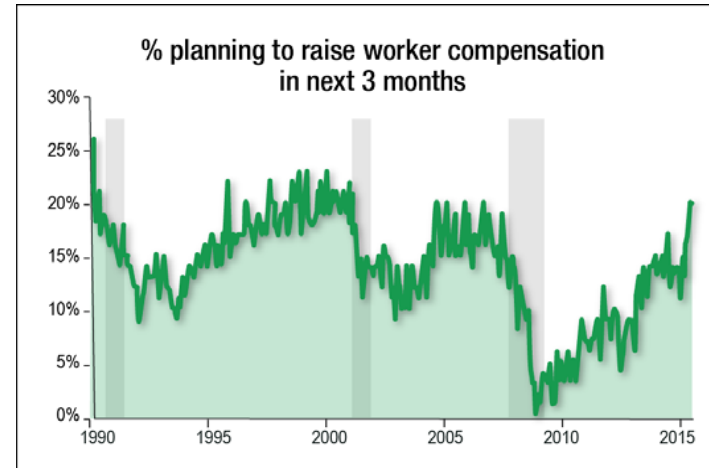
S&P 500 winners and losers in 2015

S&P 500	Ticker	% Change
Top 10		
Netflix Inc	NFLX	133.3
Amazon.com Inc	AMZN	117.8
Activision Blizzard	ATVI	92.1
NVIDIA Corp	NVDA	61.8
VeriSign Inc	VRSN	52.1
Cablevision Systems Corp	CVC	51.3
Hormel Foods Corp	HRL	49.1
First Solar Inc	FSLR	48.2
Starbucks Corp	SBUX	46.8
Total System Services Inc	TSS	46.2
Bottom 10		
Chesapeake Energy Corp	CHK	-77.1
CONSOL Energy Inc	CNX	-76.8
Southwestern Energy Co	SWN	-73.9
Freeport-McMoRan Inc	FCX	-71.3
Fossil Group Inc	FOSL	-67.2
Kinder Morgan Inc/DE	KMI	-64.9
Micron Technology Inc	MU	-60.0
NRG Energy Inc	NRG	-57.5
Murphy Oil Corp	MUR	-55.8
Marathon Oil Corp	MRO	-55.7

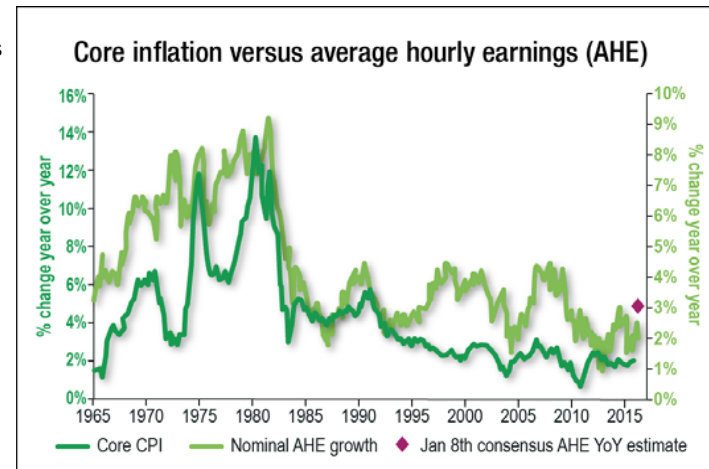
Source: Bloomberg; Past performance is no guarantee of future results.

Fixed Income Views – January 2016

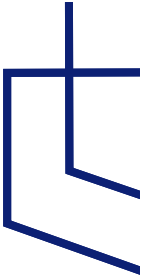
- The long awaited lift-off of the Federal Open Market Committee's (FOMC) monetary policy rate was finally executed in December. The statement and press conference focused on three points:
 - The move was a vote of confidence that the U.S. economy is on a solid path of growth.
 - The path of policy normalization will be much shallower than previous cycles.
 - Inflation data will be the key driver of future increases in the fed funds rate.
- We believe one of the drivers of the FOMC's "reasonable confidence" that inflation will reach their medium-term target is the belief that improving wage growth will lead to some inflationary pressure.
 - Although somewhat choppy, average hourly earnings (AHE) have been gradually improving for several months and should continue to post choppy, yet upward movement.
 - The National Federation of Independent Business (NFIB) data show an increase in plans to raise worker compensation.
- We expect the yield curve will continue to flatten throughout 2016.
 - Historically, the short end of the curve moves upward at a faster pace than the long end of the curve during a monetary policy normalization cycle.
 - The market is still well below where the Fed's Summary of Economic Projections (SEP) is telegraphing the fed funds rate will be at the end of 2016.



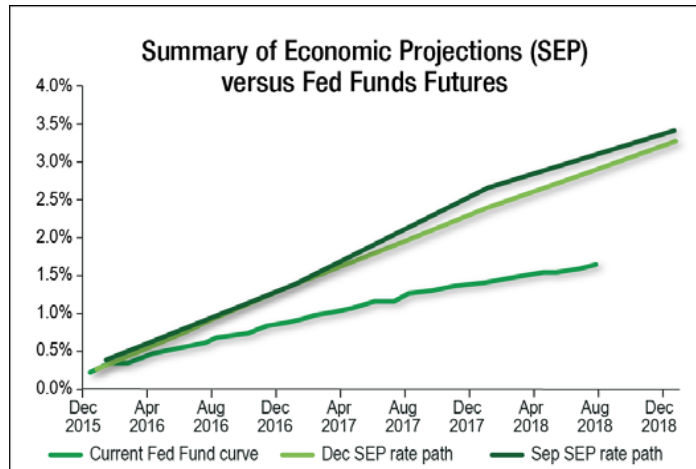
Source: National Federation of Independent Business (NFIB); data as of December 2015; gray bars = U.S. recessionary periods



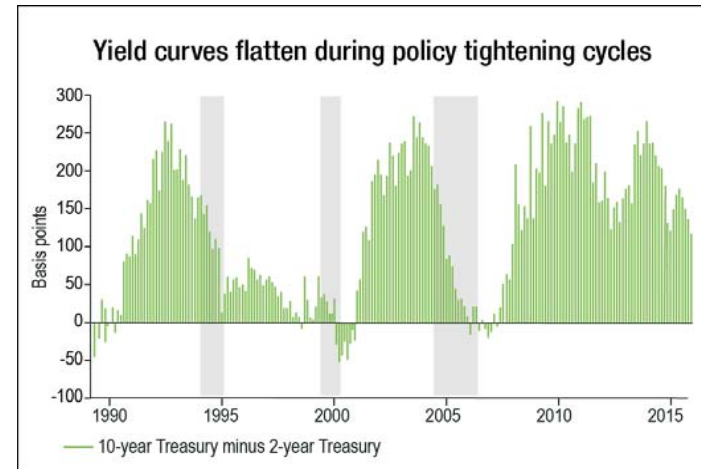
Source: Evercore; CPI (Consumer Price Index); data as of 1/08/16



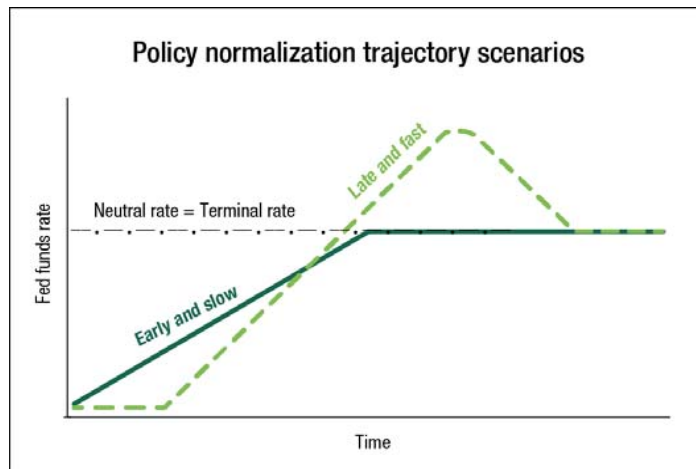
Charts: Fixed Income Markets – January 2016



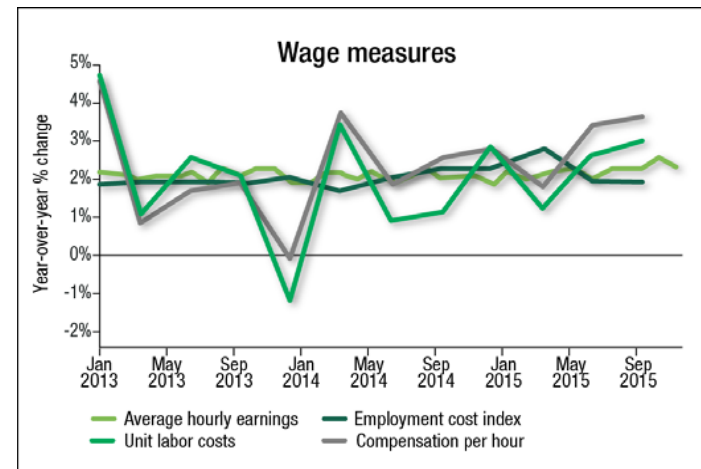
Source: Evercore; data as of 1/07/16



Source: Evercore; data as of 1/12/16; gray bars = tightening cycles



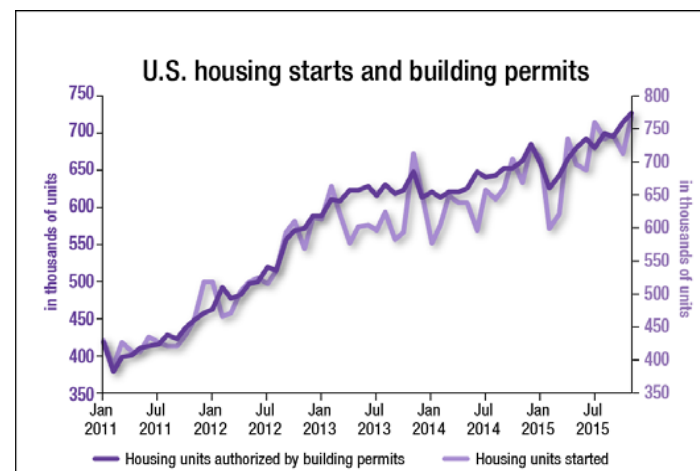
Source: Cornerstone; December 2015



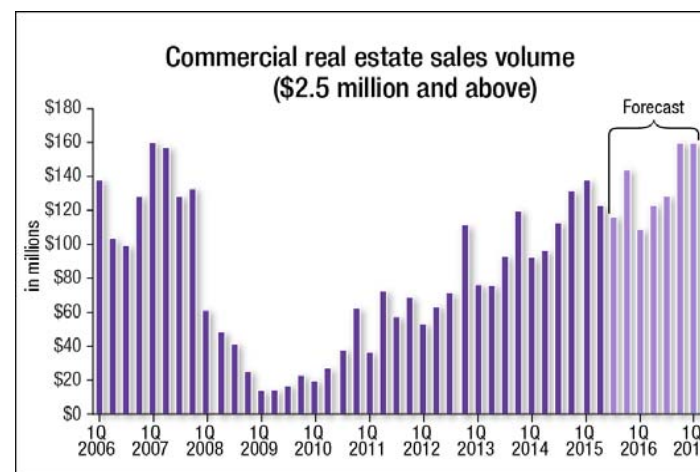
Source: Bureau of Labor Statistics; data through 12/04/15; Employment cost index, Unit labor cost and Compensation per hour through 09/30/15

Views: Real Estate Markets – January 2016

- The fundamentals are present for housing to continue moving forward through its recovery.
 - Employment gains will support new construction and sales. The advancing level of existing home sales should also continue as the economy improves.
 - New homes permits, starts and sales continue to improve. Builders' outlooks are confident. Material costs and constrained labor availability create drag, in general.
 - The inventory of new and of existing homes is low and will influence sales and prices. New home construction levels should align with sales volume.
- Commercial real estate should have occupancy gains and increasing rental rates. Sales volume continues upward trend.
 - Investors expect fundamentals to provide the underlying support to counter somewhat higher interest rates. Properties with shorter lease terms can better react.
 - Price and product availability are seen as limitations for gateway cities. Strong, vibrant growth secondary markets will continue to gain investor and lender attention.
 - While not uniform nor universal, many cities throughout Europe will experience declining vacancies and increasing rents as economies gain, demand grows and supply remains largely constrained.



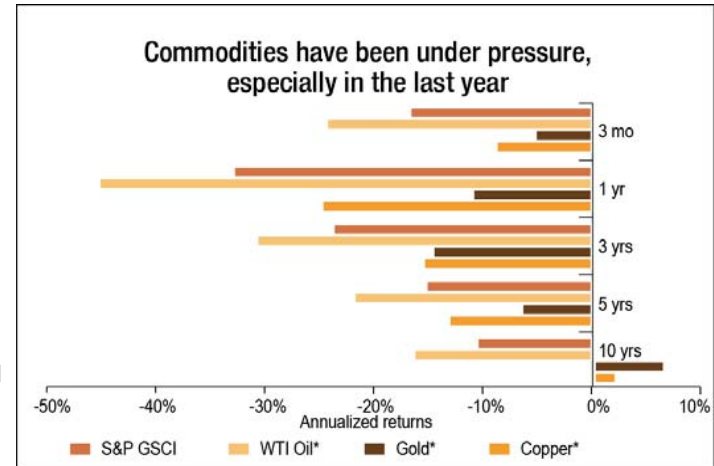
Sources: FactSet, 1/31/11-11/30/15



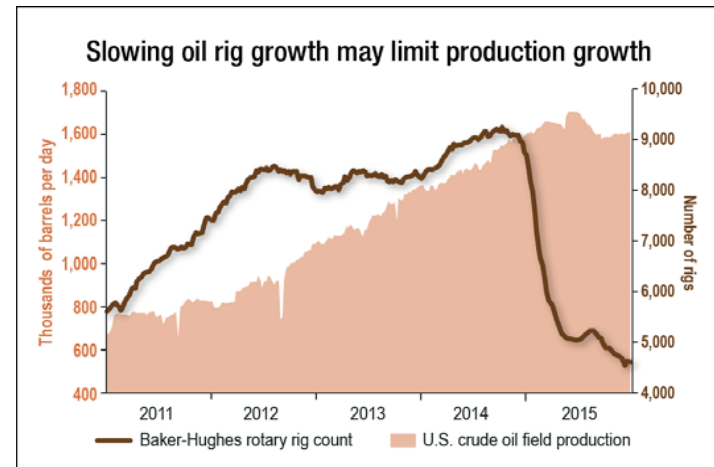
Sources: National Association of Realtors, Real Capital Analytics

Views: Commodities Markets – January 2016

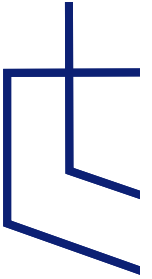
- The commodity complex continued its broad-based decline in 2015, with losses across the complex, including oil, gold, copper and grains.
 - Oil supply growth has been slow to adjust lower, despite significant cuts to industry investment. U.S. oil supply has risen slightly since the end of September, despite another 10 percent decline in oil rig usage since the middle of the year.
 - Oil prices are likely to remain low into 2016 as the market struggles with excess supplies. Leading indicators appear in place for U.S. oil production to decline later this year, beginning to close the excess supply gap.
 - Middle East conflict remains a risk to prices, with the conflict in Yemen and the potential return of Iranian oil production to the market perhaps stoking a smoldering Sunni/Shia conflict.
 - Gold prices are likely to remain lower due to anticipated Fed rate increases, but could find support if global inflation expectations are rekindled.
 - Geopolitical risk could have a modest impact on prices in the short term, but safe-haven demand is unlikely to reverse the pressures of low inflation expectations and Fed rate increases.
 - Copper prices have been under pressure from strong supplies and a slowing China. Inventories at key futures market warehouses are also climbing recently, adding to price pressure. For now, prices will likely remain low since global growth is expected to remain slow and current supply growth is unlikely to be reduced.



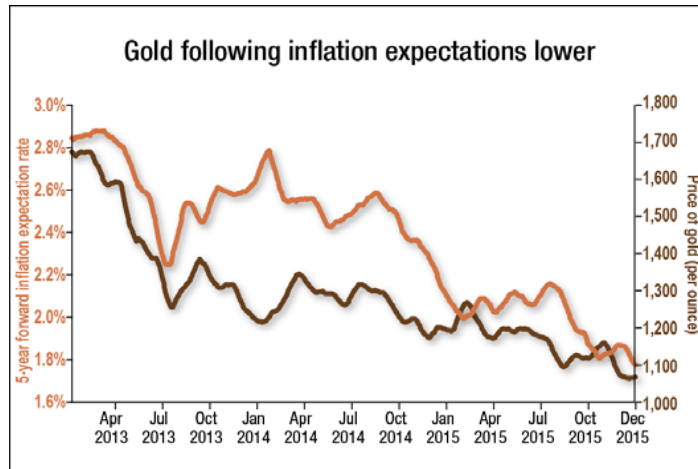
Source: FactSet; data as of 12/31/15; WTI (West Texas Intermediate);
*Represented by appropriate segments of the broader S&P GSCI Index



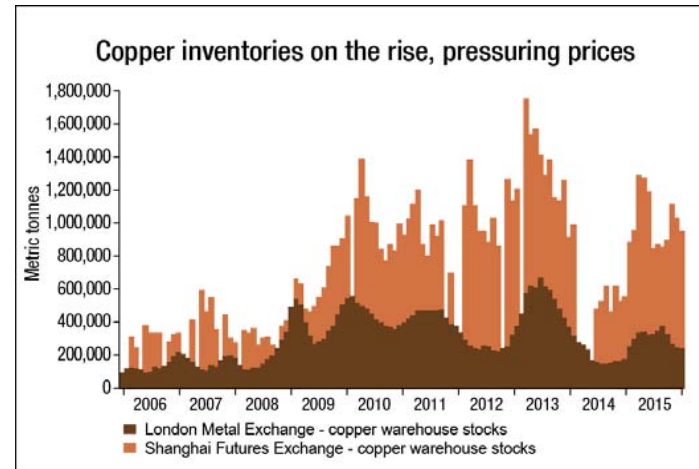
Source: FactSet; 1/07/11-1/01/16



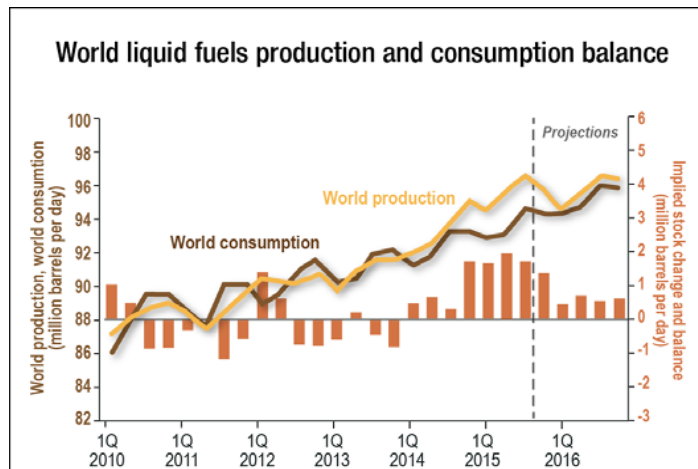
Charts: Commodities Markets – January 2016



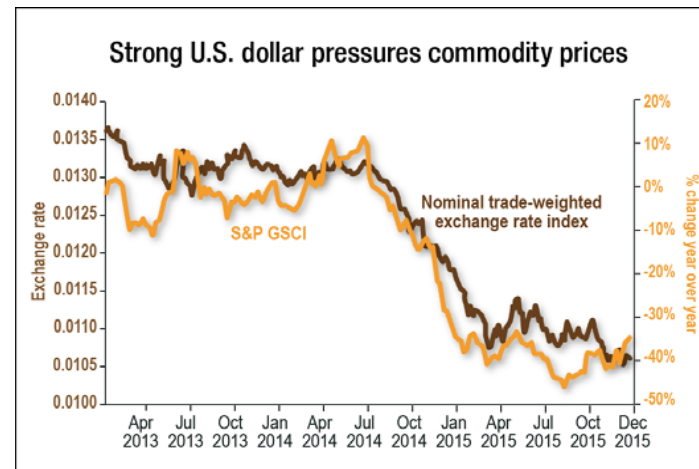
Source: FactSet; 1/07/13-12/31/15



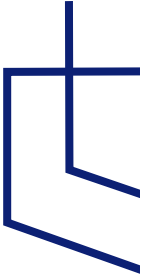
Source: FactSet; London 1/31/06-12/31/15; Shanghai 3/31/06-12/31/15



Source: U.S. Energy Information Administration, Short-Term Energy Outlook; data through 12/31/15



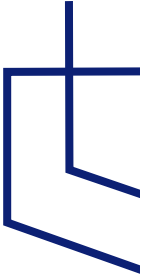
Source: FactSet; 1/31/13-12/31/15



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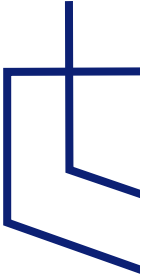
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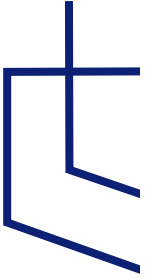
Disclosures (Page 2 of 2)

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **Stocks of small- and mid-cap companies** pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies. **Growth investments** focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments provide minimal dividends which could otherwise cushion stock prices in a market decline. Investors should carefully consider the additional risks involved in growth investments. **Value investments** focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Investors should carefully consider the additional risks involved in value investments. **International investing** involves risks not typically associated with domestic investing, including risks of adverse currency fluctuations, potential political and economic instability, different accounting standards, foreign government regulations, currency exchange rates, limited liquidity, and volatile prices. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility. Investments in **real estate** can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties, such as rental defaults. **Fixed-income investments** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors. Investment in debt securities typically decrease in value when interest rates rise. The risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Foreign investing entails additional risks, including currency fluctuations, political and economic instability, accounting changes, and foreign taxation. Securities may be less liquid and more volatile. Investments in **high-yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments. An **inflation protected security** is a special type of note or bond designed to offer protection from inflation. Interest payments vary with the rate of inflation. These securities offer a lower return compared to other similar investments. The principal value may increase or decrease with the rate of inflation. **Alternative investments** very often use speculative investment and trading strategies. There is no guarantee that the investment program will be successful. Alternative investments are designed only for sophisticated investors who are able to tolerate the full loss of an investment. These products are not suitable for every investor, even if the investor does meet the financial requirements. It is important to consult with your investment professional to determine how these investments might fit your asset allocation, risk profile, and tax situation. There are special risks associated with an investment in **commodities**, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes, and the impact of adverse political or financial factors. An investment in a **hedge fund** involves a substantially more complicated set of risk factors than traditional investments in stocks and bonds. Hedge funds are speculative and involve a high degree of risk. Structured Products Pricing Supplements and Prospectuses should be reviewed by the client prior to approving or directing an investment in these securities. Clients should contact their Portfolio Manager directly to request and review Structured Product Pricing Supplements and Prospectuses for each structured product they may wish to purchase.



Definitions of Report Terms

- **Alpha** – A statistic measuring that portion of a stock, fund or composite's total return attributable to specific or non-market risk. Alpha measures non-market return and indicates how much value has been added or lost. A positive Alpha indicates the fund or composite has performed better than its Beta would predict (i.e., the manager has added value above the benchmark). A negative Alpha indicates a fund or composite has underperformed given the composite's Beta.
- **Alternative Investments** – As used by U.S. Bank, an investment considered to be outside of the traditional asset classes of long-only stocks, bonds and cash. Examples of alternative investments include hedge funds, private equity, options, and financial derivatives.
- **Beta** – Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. A Beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means the security will be less volatile than the market. A Beta greater than 1 indicates that the security's price will be more volatile than the market.
- **Price/Earnings Ratio (P/E)** – The P/E ratio of a company is calculated by dividing the price of the company's stock by its trailing 12-month earnings per share. A high P/E usually indicates that the market is paying a premium for current earnings because it believes in the firm's ability to grow its earnings. A low P/E indicates the market has less confidence that the company's earnings will increase. Within a portfolio, P/E is the weighted average of the price/earnings ratios of the stocks in the portfolio.
- **R-Squared** – A statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. For fixed income securities, the benchmark is the Treasury bill and for equities, the benchmark is the S&P 500 Index.
- **Sharpe Ratio** – Measures risk-adjusted performance. Intended to tell whether a portfolio's returns are due to smart investment decisions or a result of excess risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been. A negative Sharpe ratio indicates that a riskless asset would perform better than the security being analyzed.
- **Sortino Ratio** – Intended to differentiate between good and bad volatility. Similar to the Sharpe ratio, except it uses downside deviation for the denominator instead of standard deviation, the use of which doesn't discriminate between up and down volatility.
- **Spread** – The difference between the yields of two bonds with differing credit ratings (most often, a corporate bond with a certain amount of risk is compared to a standard traditionally lower risk Treasury bond); the bond spread will show the additional yield that could be earned from a bond which has a higher risk.
- **Standard Deviation** – It is applied to the annual rate of return of an investment to measure the investment's volatility. Also known as historical volatility; it is used by investors as a gauge for the amount of expected volatility.
- **Tracking Error** – A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.
- **Traditional Investments** – As used by U.S. Bank, an investment made in equity, fixed income or cash securities, mutual funds, or exchange-traded funds (ETFs) where the investor buys at a price with the goal that the investment will go up in value.
- **Treynor Ratio** – A ratio developed to measure returns earned in excess of that which could have been earned on a riskless investment. Also known as the "reward-to-volatility" ratio.
- **Turnover Ratio** – The percentage of a mutual fund or other investment vehicle's holdings that have been "turned over" or replaced with other holdings in a given year.
- **Yield** – The annual rate of return on an investment, expressed as a percentage. For bonds, it is the coupon rate divided by the market price. For stocks, it is the annual dividend divided by the market price.



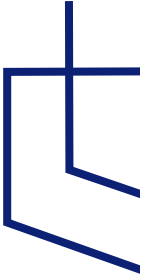
Definitions of Frequently Used Indexes (page 1 of 3)

- **BofA Merrill Lynch U.S. 7-10 Year Index** – Tracks the performance of U.S. dollar denominated investment grade rated corporate debt publically issued in the U.S. domestic market and includes all securities with a remaining term to maturity of greater than or equal to seven years and less than 10 years.
- **BofA Merrill Lynch U.S. Corporate Master Index** – Tracks the performance of U.S. dollar denominated investment grade corporate debt publically issued in the U.S. domestic market.
- **BofA Merrill Lynch U.S. High Yield Master II Index*** – Commonly used benchmark index for high yield corporate bonds and tracks the performance of U.S. dollar denominated below investment grade rated corporate debt publically issued in the U.S. domestic market. Used to represent the asset class “high yield fixed income” for U.S. Bank asset allocation purposes.
- **Barclays Capital Aggregate Bond Index*** – Measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities. Used to represent the asset class “investment grade fixed income” for U.S. Bank asset allocation purposes.
- **Barclays Capital Corporate Bond Index** – Includes all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC-registered, investment-grade corporate debt.
- **Barclays Global Treasury ex-U.S. Index*** – Includes government bonds issued by investment grade countries outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade. Used to represent the asset class “foreign sovereign debt” for U.S. Bank asset allocation purposes.
- **Barclays Capital Government Index** – Includes U.S. government and government agency securities (other than mortgage securities) with maturities of one year or more.
- **Barclays High Yield Bond Index** – Consists of all domestic and corporate bonds rated Ba and below with a minimum outstanding amount of \$150 million and maturing in over one year.
- **Barclays Capital Intermediate Aggregate Index** – Consists of 1-10 year government bonds, 1-10 year corporate bonds, all mortgages, and all asset-backed securities within the Aggregate Index.
- **Barclays Capital Intermediate Government/Credit Index** – Based on all publicly issued intermediate government and corporate debt securities with maturities of one to 10 years and represents asset types which are subject to risk, including loss of principal.
- **Barclays Mortgage-Backed Securities Index** – Covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable-rate mortgages) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).
- **Barclays Capital U.S. Insured Municipal Bond Index*** – An unmanaged market-value-weighted index of investment-grade U.S. domiciled municipal bonds with maturities of one year or more. Used to represent the asset class “municipal fixed income” for U.S. Bank asset allocation purposes.
- **Barclays US Treasury US TIPS Index*** – An unmanaged index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade and have \$250 million or more of outstanding face value. Used to represent the asset class “inflation-protected securities (fixed income)” for U.S. Bank asset allocation purposes.
- **Cambridge Associates LLC US Private Equity Index*** – This index is based on returns data compiled for U.S. private equity funds (including buyout, growth equity and mezzanine funds) that represent the majority of institutional capital raised by private equity partnerships formed since 1986. Used to represent the asset class “private equity” for U.S. Bank asset allocation purposes.



Definitions of Frequently Used Indexes (page 2 of 3)

- **Dow Jones Industrial Average (DJIA)** – The most widely used indicator of the overall condition of the U.S. stock market, which is a price-weighted average of 30 actively traded blue chip stocks.
- **The Dow Jones U.S. Select REIT Index*** – Measures the performance of publicly traded Real Estate Investment Trusts (REITs) and REIT-like securities. Used to represent the asset class “U.S. listed real estate” for U.S. Bank asset allocation purposes.
- **HFRI Equity Hedge (EH) Total Index (or HFRIEHI)*** – An equally weighted index that uses the HFR (Hedge Fund Research) database and consists only of equity hedge funds with a minimum of \$50 million or a 12-month track record and that is reported in U.S. dollars. It is calculated and rebalanced monthly and shown net of all fees and expenses. Equity hedge strategies invest in a core holding of all equities hedged at all times with short sales of stocks/or stock index options. Some maintain a substantial portion of assets within a hedged structure and commonly employ leverage. Where short sales are used, hedged assets may be comprised of an equal dollar value of long and short stock positions. Other variations use short sales unrelated to long holdings and/or puts on the S&P 500 index and put spreads. Conservative funds mitigate market risk by maintaining market exposure from zero to 100 percent. Aggressive funds may magnify market risk by exceeding 100 percent exposure. Used to represent the asset class “hedged equity” for U.S. Bank asset allocation purposes.
- **HFRI Relative Value Fixed Income Corporate Index (HFRIFIHY)*** – An equally weighted index that uses the HFR (Hedge Fund Research) database and consists of only relative value fixed income corporate funds with a minimum of \$50 million or a 12-month track record and that reports in U.S. dollars. It is calculated and rebalanced monthly, and shown net of all fees and expenses. It includes strategies with an investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a fixed income instrument. Used to represent the asset class “hedged fixed income” for U.S. Bank asset allocation purposes.
- **Lipper Money Market Index** – Comprised of funds that invest in high-quality financial instruments rated in top grades with dollar-weighted average maturities of less than 90 days.
- **Moody's/REAL Commercial Property Price Index (CPPI)** – Data is based on actual transactions of commercial real estate compiled by Real Capital Analytics. Provides a timely and accurate indication of price changes for commercial property market as a whole.
- **MSCI ACWI (All Country World Index)** – Designed to measure the equity market performance of developed and emerging markets.
- **MSCI ACW Ex-US (All Country World Index, excluding U.S.)** – Tracks the performance of stocks representing developed and emerging markets around the world that collectively comprise most foreign stock markets. U.S. stocks are excluded from the index.
- **MSCI EAFE Index*** – Includes approximately 1,000 companies representing the stock markets of 21 countries in Europe, Australasia and the Far East. Used to represent the asset class “developed foreign equity” for U.S. Bank asset allocation purposes.
- **MSCI Emerging Markets Index*** – Designed to measure equity market performance in global emerging markets. Used to represent the asset class “emerging foreign equity” for U.S. Bank asset allocation purposes.
- **MSCI U.S. REIT Index** – Represents approximately 85 percent of the U.S. REIT (Real Estate Investment Trust) universe.
- **NAREIT Index** – Includes REITs (Real Estate Investment Trusts) listed on the New York Stock Exchange, NASDAQ and American Stock Exchange.
- **NASDAQ Composite Index** – A market-capitalization-weighted average of roughly 5,000 stocks that are electronically traded in the NASDAQ market.



Definitions of Frequently Used Indexes (Page 3 of 3)

- **NCREIF NPI Property Index*** – A quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors, the great majority being pension funds. As such, all properties are held in a fiduciary environment. Used to represent the asset class “direct real estate” for U.S. Bank asset allocation purposes.
- **Russell 1000 Index** – Measures the performance of the 1,000 largest companies in the Russell 3000 Index and is representative of the U.S. large capitalization securities market.
- **Russell 2000 Index** – Measures the performance of the 2,000 smallest companies in the Russell 3000 Index and is representative of the U.S. small capitalization securities market.
- **Russell 3000 Index** – Measures the performance of the 3,000 largest U.S. securities based on total market capitalization.
- **S&P 500 Index** – Consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market.
- **S&P/Case-Shiller Home Price Indexes** – A group of indexes that tracks changes in home prices throughout the United States. Case-Shiller produces indexes representing certain metropolitan statistical areas (MSA) as well as a national index.
- **S&P GSCI Commodity Index*** – A composite index of commodity sector returns that is broadly diversified across the spectrum of commodities. Used to represent the asset class “commodities” for U.S. Bank asset allocation purposes.
- **S&P Developed Ex US Property*** – Measures the investable universe of publicly traded property companies domiciled in developed and emerging markets excluding the U.S. The companies included are engaged in real estate related activities such as property ownership, management, development, rental and investment. Used to represent the asset class “foreign listed real estate” for U.S. Bank asset allocation purposes.
- **S&P MidCap 400 Index** – The most widely used index for mid-sized companies and covers over seven percent of the U.S. equities market.
- **S&P SmallCap 600 Index** – Designed to be an efficient portfolio of companies that represent an accurate measure of small U.S. companies, reflecting risk and return characteristics of the broader small-cap universe.
- **S&P 500/Citigroup Growth Index** – Consists of those stocks within the S&P 500 that exhibit strong growth characteristics and are then numerically ranked based on three growth factors and four value factors to determine the constituents of the index and their ranking.
- **S&P 500/Citigroup Value Index** – Consists of those stocks within the S&P 500 that exhibit strong value characteristics and are then numerically ranked based on four value factors and three growth factors to determine the constituents of the index and their ranking.
- **Wilshire 5000 Total Stock Market Index*** – A market-capitalization-weighted index of the market value of all stocks actively traded in the United States. Used to represent the asset class “U.S. equities” for U.S. Bank asset allocation purposes.

* These indices cover each of the sub-asset classes (Tier 2) used to compile the investment objectives which define the asset allocation guidance used for U.S. Bank portfolios. Some investment objectives do not utilize all of these asset classes. If you have any questions about the investment objective for your portfolio, please contact your Portfolio Manager.

Legislative Update

Mary Gilbert, Legislative Liaison

SPPS Committee of the Board Meeting
February 9th, 2016



Important Dates

- Legislature Reconvenes – **March 8th**
- February Forecast released – **February 26th**
- Governor issues supplemental budget based on February forecast— **early March**
- Committee Deadlines:
 - First Policy Committee—**April 1st**
 - Second Policy Committee – **April 8th**
 - Third Finance Committee – **April 28th**
- Sine Die – **May 23rd**



Even Year Sessions

- 2016 Non-Budget Year, so focus on bonding
- Tax and transportation bills are still on table
- All members up for Re-Election in 2016. Many retirements already announced
- House focus is on tax relief and transportation
- House indicating ZERO target for K-12 and HHS
- Senate focus is on transportation, reserve, and modest spending to account for inflation not included in forecast for FY18/19 (\$1.7 billion)



SPPS Legislative Agenda - Focus Is Key

- Voluntary PreK
- Special Education
- Teacher Development and Evaluation



PreK Funding

- Fund voluntary school-based half-day and full-day four year-old programs on a per pupil basis
- Currently serving:
 - 1,708 in PreK and 289 Montessori PreK.
 - 70% free/reduced lunch, 50% ELL, 7-8% Sped
 - Nearly 600 on waiting list. Largest demand is for full day.
- Actions thus far:
 - *Met with stake holders and legislative leaders*
 - *Senate draft proposal –funds half-day program*
 - *Governor/MDE haven't released their PreK proposal*



Reduce Special Education Cross Subsidy

- The SPPS cross subsidy for special education is over \$900 per pupil.
- The statewide cross subsidy is estimated to rise to \$656 million in FY19
- Regular and excess cost formula must better recognize the cost and concentration of special education students and tuition billing costs
- Actions thus far:
 - *Bill introduced to increase excess cost aid and create tuition account at State level*
 - *Continue work with MDE and DHS regarding MA billing/free care rule*



Supporting Teachers and Teacher Development

- Provide ongoing Teacher Development Revenue for non-QComp districts.
 - *Met with stakeholders. Bill drafted.*
- Revenue to support SPPS students, EA's, and TA's to obtain teacher license, especially in high need areas, using tuition assistance and/or stipends.
 - *Bill drafted. EDMN also has bills.*
- Support policies and programs to maintain and expand College in School (CIS) teachers.
 - *Is in several bills including tax credits*



Testing

Require state to :

- Pay directly for annual administration of ACT test
- Repeal requirement for new high school writing test
- Provide flexibility for districts to administer assessments in the way that is most efficient for them (e.g. paper and pencil, online)
- Continue use of multiple measures (e.g. attendance, graduation) including growth models
- Provide resources to support district use of formative assessments



Metro Transit Sales Tax

- Support Metro Transit dedicated ½ cent sales tax.
- Actions thus far:
 - *Met Council indicated no expansion of transit for high schools without access to additional revenue*
 - *Transportation bill is in conference committee*
 - *House favors cash approach*
 - *Senate and Governor want long term strategy with multiple sources of funding for roads, bridges, and transit*
 - *New tax is a hard sell in election year. Local taxing ability does not guarantee funding (JPTAC)*



Pension Issues

- Pension—TRA and SPTRFA propose increase in contribution rates for employers to address new mortality tables.
- TRA Proposing 1% increase in employer contribution rates. Ed organizations support this if State picks up contribution and not from E-12 target.
- SPTRFA currently phasing in contribution increases from 2013 pension legislation (.25% in FY17 & FY18)
- SPTRFA requesting 1.5% increase (could be phased in) to reach 8% (in addition to 3.84% supplemental and \$800,000 annual payment)



Pension Continued

- Education stake holder groups testified that 1% increase for employers should be funded by state. Oppose unless state provides aid or levy authority for increase.
- State funding request for 1% increase should include SPTRFA
- Recommend continued phase in at 0.25% to reach 7%



Other Issues

- Data privacy—ensure change enacted last year to issue library cards is not modified
- Elections—allow boards to appoint interim members. Current law requires election. MSBA resolution of support, they are lead.
- Data Back Pack bill—our team meeting with supporters next week regarding goals and local costs.



Questions?





Budget Revision Fiscal Year 2015-16

Marie Schrul
Chief Financial Officer
February 9, 2016



Purpose



To present information regarding the Fiscal
Year 2015-16 budget revision



Agenda



- General Fund
 - Assigned Fund Balance Re-appropriation
- Fully Financed Funds
- Revenue changes – All Funds
- Expenditure changes – All Funds



FY16 Budget Revision

(General Fund – Assigned Fund Balance Re-appropriation)

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Assigned Category	Amount	Description
Encumbrances	\$3,623,619	Open Purchase Orders from FY15 carried over to FY16
Professional Growth	287,796	Contractual balances from FY15 carried over to FY16
Site & Program Carryover/ Fall Adjustments	4,196,209	FY15 carryover balance of non-salary items in school & program budgets / Fall 2015 enrollment adjustments
SSSC 2.0 Initiatives	3,200,000	Allocations to schools and programs
Personalized Learning Through Technology (PLTT)	587,042	FY15 balance in Referendum PLTT budget carried over to FY16
Total Assigned Fund Balance Re-appropriation	\$11,894,666	



FY16 Budget Revision

(Fully Financed Funds)



- Revision on Fully Financed reflects the approval of grants under \$500,000 that were not adopted in FY16 as well as revisions to adopted grants:

	Description	Amount
1.	General Fully Financed Increase	\$9,964,586
2.	Community Service Fully Financed Increase	\$3,046,432



FY16 Budget Revision

(All Funds - Revenue Changes)



69

Funds	Adopted Budget	Revision	Revised Budget
General Fund	\$522,765,875	0	\$522,765,875
General Fully Financed	36,939,270	9,964,586	46,903,856
Food Service	25,706,000	0	25,706,000
Community Service	22,186,188	0	22,186,188
Community Service Fully Financed	4,220,623	3,046,432	7,267,055
Building Construction	27,062,000	0	27,062,000
Debt Service	41,172,000	0	41,172,000
Total Revenue	\$680,051,956	\$13,011,018	\$693,062,974



FY16 Budget Revision

(All Funds - Expenditure Changes)



68

Funds	Adopted Budget	Revision	Revised Budget
General Fund	\$525,265,875	\$11,894,666	\$537,160,541
General Fully Financed	36,939,270	9,964,586	46,903,856
Food Service	25,706,000	0	25,706,000
Community Service	22,513,802	0	22,513,802
Community Service Fully Financed	4,220,623	3,046,432	7,267,055
Building Construction	27,400,000	0	27,400,000
Debt Service	55,750,650	0	55,750,650
Total Expenditures	\$697,796,220	\$24,905,684	\$722,701,904



FY16 Budget Revision



Questions?



FY16 Budget Revision



Recommendation:

To approve the Revised budget for Fiscal Year 2015-16




Business & Financial Affairs
Independent School District 625

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February 6, 2016

To: Board of Directors, Saint Paul Public Schools
From: Marie Schrul, Chief Financial Officer 
Subject: Quarterly Financial Report for the quarter ending December 31, 2015

Attached are the following items for discussion at the Committee of the Board meeting on Tuesday, February 9, 2016:

- Highlights of the quarterly financial report
- Quarterly financial report for the period ending December 31, 2015
- Glossary of financial terms

I am looking forward to our discussion on this topic at Tuesday's meeting.

COB Action Item

Recommendation: Acceptance of the quarterly financial report for the period ending December 31, 2015

December 31, 2015 Quarterly Financial Report

The December 31, 2015 Quarterly Financial Report is an update to the Board of Education on the current fiscal year 2015-16 budget and it includes a projection of Revenue, Expenditures and Fund Balance as of June 30, 2016.

A budget is a living, viable document. Once the budget is adopted in June, the Board is asked 3 times during the following year to look at and approve the changes that occur in the District's revenue and expenditures in each of the 7 funds. The final determination, by fund, occurs each fall, following the acceptance of the audit report.

Reminder: The fund balance accounts within the General Fund are prescribed by the Governmental Accounting Standards Board, known as GASB 54. The unassigned fund balance in the General Fund is the balance of 5% as referred to in Board policy. The fund balance in the Food Service fund is controlled by federal USDA regulations.

Highlights in the report include the following:

Page 1

The General Fund includes the five fund balance categories. Please refer to the financial definitions sheet for descriptions of fund balances.

General Fund revenue is projected to increase by \$2.6 million in the areas of: State Aid by \$2.0 million due to adjustments on enrollment projections, and by \$0.6 million in Local revenue sources due to adjustments.

General Fund expenditures are projected to be under spent by \$2.1 million in the areas of: Intraschool (student activity funds), staffing vacancies, and operational savings in various programs.

These changes result in a projected unassigned fund balance of 5.6% which is within the 5% Board of Education policy.

Page 2

General Fund, Fully Financed: The Fully Financed fund must have revenue that equals expenditures. Revenue and Expenditures are under budget by \$4.5 million, due to federal grants, specifically in the Title programs and Special Education. No change in fund balance is anticipated at this time.

Page 3

Food Service Fund: Revenue is projected to increase by \$1.0 million due to increases in breakfast and lunch participation along with planned menu changes. Expenditures are projected to increase by \$0.6 million due to food costs related to the increased participation. Fund balance is projected to increase by \$0.5 million.

Page 4

Community Service Fund: Revenue is projected to decrease by \$0.2 million in the areas of community programming for Aquatics and Trips/Tours. Expenditures are projected to decrease by \$0.4 million due to decrease hourly licensed and non-licensed staffing for community programming. Fund balance is projected to decrease by \$0.1 million.

Page 5

Community Service, Fully Financed: Revenue and Expenditures are projected to decrease by \$0.6 million in the areas of Day Care, Early Childhood Screening, and 21st Century. No change in fund balance is anticipated at this time.

Page 6

Building Construction Fund: Revenue is projected to slightly decrease as less interest is generated due to the expedited rate of spending bond proceeds. Expenditures are projected to increase by \$1.1 million as projects are completed in preparation for the Facilities Master Plan. Fund balance is projected to decrease by \$1.4 million.

Page 7

Debt Service: Fund balance is projected to decrease by \$35 million due to the net effect of the escrow activity for bond refunding and the net change of revenue and expenditures.

**SAINT PAUL PUBLIC SCHOOLS
QUARTERLY FINANCIAL REPORT**

**FOR THE PERIOD ENDING
December 31, 2015**

**Saint Paul Public Schools
General Fund
Results of Operations
Budget vs. Projected as of December 31, 2015**

	Revised Budget	Projected	Budget Variance Favorable (Unfavorable)	
			Dollar	Percent
Fund Balance 7/1/2015	\$85,958,105	\$85,958,105		
Revenue	522,765,875	525,349,512	2,583,637	0.49%
Expenditures	537,160,541	535,042,349	2,118,192	0.39%
Fund Balance 6/30/2016	<u>\$71,563,439</u>	<u>\$76,265,268</u>	<u>\$4,701,829</u>	<u>6.57%</u>

Revenue

Revenue is projected to increase by \$2.6 m in two areas: State Aid by \$2.0 m as related to adjustments on enrollment projections, and by \$0.6 m in miscellaneous adjustments in Local revenue sources.

Expenditures

Expenditures are projected to be under spent by \$2.1 m in the areas of Intrасchool (student activity funds) , staffing vacancies, and operational savings in various programs.

Fund Balance Details

	7/1/2015	6/30/2016	Increase (Decrease)
Nonspendable			
Inventory and Prepaid Expense	1,254,944	1,500,000	245,056
	1,254,944	1,500,000	245,056
Restricted			
Operating Capital	3,888,384	1,000,000	(2,888,384)
Health and Safety	(3,238,942)	(3,238,942)	0
Teacher Development	851,744	0	(851,744)
OPEB Revocable Trust	8,582,778	30,960,508	22,377,730
	10,083,964	28,721,566	18,637,602
Committed			
Severance Pay	2,538,018	2,538,018	0
Retiree Health Insurance	22,377,730	0	(22,377,730)
	24,915,748	2,538,018	(22,377,730)
Assigned			
Contractual Obligations	3,911,415	4,000,000	88,585
Next Year's Operations	2,500,000	0	(2,500,000)
Strong Schools Initiative	3,200,000	0	(3,200,000)
Site Based Operations	4,245,808	4,000,000	(245,808)
Personalized Learning	587,042	0	(587,042)
Intrасchool Activities	2,607,054	3,000,000	392,946
	17,051,319	11,000,000	(6,051,319)
Unassigned			
Unassigned	32,652,130	32,505,684	(146,446)
	32,652,130	32,505,684	(146,446)
Total Fund Balance	<u>\$85,958,105</u>	<u>\$76,265,268</u>	<u>(\$9,692,837)</u>

- Unassigned fund balance is estimated to be \$32.5 million in the General Fund.
- Projected UFARS General Fund expenditures for the year are \$577.4 million.
- The projected Unassigned fund balance for 06/30/16 of \$32.5 million represents 5.6% of current year expenditures which is within the limit of current Board policy.

**Saint Paul Public Schools
Fully Financed General Fund
Results of Operations
Budget vs. Projected as of December 31, 2015**

	Revised Budget	Projected	Budget Variance Favorable (Unfavorable)	
			Dollar	Percent
Fund Balance 7/1/2015	\$185,736	\$185,736		
Revenue	46,903,856	42,362,916	(4,540,940)	(9.68%)
Expenditures	46,903,856	42,362,916	4,540,940	9.68%
Fund Balance 6/30/2016	<u>\$185,736</u>	<u>\$185,736</u>		

Revenue

Revenue is projected to be under budget by about \$4.5 m, or 9.7%, due to lower expenditures in federal grants. Explanations on which grants will be underspent in larger amounts are reflected in the expenditure paragraph below.

Expenditures

Expenditures are projected to be under budget by \$4.5 m, or 9.7%, due to lower expenditures in the Title programs (\$3.3 m), Special Education grants (\$1.1 m), and other federal direct grants (\$0.1 m). The following categories within these grants are projected to be underspent: Salary and fringe benefits (\$2.3 m), Contracted services (\$0.3 m), and Supplies/non-salary (\$1.9m).

Fund Balance

Fund balance is projected to remain unchanged at \$0.2m.

**Saint Paul Public Schools
Food Service Fund
Results of Operations
Budget vs. Projected as of December 31, 2015**

	Revised Budget	Projected	Budget Variance Favorable (Unfavorable)	
			Dollar	Percent
Fund Balance 7/1/2015	\$1,839,554	\$1,839,554		
Revenue	25,706,000	26,734,595	1,028,595	4.00%
Expenditures	25,706,000	26,274,538	(568,538)	(2.21%)
Fund Balance 6/30/2016	<u>\$1,839,554</u>	<u>\$2,299,611</u>		

Revenue

Revenue is projected to increase by \$1.0 m, or 4.0%, due to an increase in participation (4.1% for breakfast and 4.6% for lunch). Menu changes and other plans are still being reviewed to continue the positive trend.

Expenditures

Expenditures are projected to increase by \$0.6 m, or 2.2%, over budget. Much of this increase is in food expense due to increases in meals served. Food cost percentage is still in line with budget.

Fund Balance

Fund Balance is projected to increase by \$0.5m.

**Saint Paul Public Schools
Community Service Fund
Results of Operations
Budget vs. Projected as of December 31, 2015**

	Revised Budget	Projected	Budget Variance Favorable (Unfavorable)	
			Dollar	Percent
Fund Balance 7/1/2015	\$2,275,065	\$2,275,065		
Revenue	22,186,188	22,004,163	(182,025)	(0.82%)
Expenditures	22,513,802	22,086,219	427,583	1.90%
Fund Balance 6/30/2016	<u>\$1,947,451</u>	<u>\$2,193,009</u>		

Revenue

Revenue is projected to decrease by \$0.2 m, or 0.8%, in the areas of community programming for Aquatics and Trips/Tours.

Expenditures

Expenditures are projected to decrease by \$0.4 m , or 1.9%, due to decreased hourly licensed and non licensed staff for Community Service programming.

Fund Balance

Fund Balance is projected to decrease by \$0.1 m.

**Saint Paul Public Schools
Fully Financed Community Service Fund
Results of Operations
Budget vs. Projected as of December 31, 2015**

	Revised Budget	Projected	Budget Variance Favorable (Unfavorable)	
			Dollar	Percent
Fund Balance 7/1/2015	\$681,918	\$681,918		
Revenue	7,267,055	6,710,716	(556,339)	(7.66%)
Expenditures	<u>7,267,055</u>	<u>6,710,716</u>	<u>556,339</u>	<u>7.66%</u>
Fund Balance 6/30/2016	<u>\$681,918</u>	<u>\$681,918</u>		

Revenue

Revenue is projected to decrease by \$0.6 m, or 7.7%, in the areas of Day Care, Early Childhood Screening and 21st Century.

Expenditures

Expenditures are projected to decrease by \$0.6 m, or 7.7%, in the areas of Day Care, Early Childhood Screening and 21st Century.

Fund Balance

Fund Balance is projected to remain unchanged at \$0.7 m.

**Saint Paul Public Schools
Building Construction Fund
Results of Operations
Budget vs. Projected as of December 31, 2015**

	Revised Budget	Projected	Budget Variance Favorable (Unfavorable)	
			Dollar	Percent
Fund Balance 7/1/2015	\$22,921,039	\$22,921,039		
Revenue	27,062,000	27,022,929	(39,071)	(0.14%)
Expenditures	27,400,000	28,467,736	(1,067,736)	(3.90%)
Fund Balance 6/30/2016	<u>\$22,583,039</u>	<u>\$21,476,232</u>		

Revenue

Revenue is projected to slightly decrease due to less interest being generated. This is due to the increased rate of bond proceeds being spent down.

Expenditures

Expenditures are projected to increase by \$1.1 m, or 3.9%, as projects are completed at an expedited rate in preparation for the Facilities Master Plan.

Fund Balance

Fund balance is projected to decrease by \$1.4 m.

**Saint Paul Public Schools
Debt Service Fund
Results of Operations
Budget vs. Projected as of December 31, 2015**

	Revised Budget	Projected	Budget Variance Favorable (Unfavorable)	
			Dollar	Percent
Fund Balance 7/1/2015	\$66,106,128	\$66,106,128		
Revenue	41,172,000	41,417,000	245,000	0.60%
Escrow Activity	16,600,650	36,850,000	20,249,350	121.98%
Expenditures	39,150,000	39,587,000	(437,000)	(1.12%)
Fund Balance 6/30/2016	<u>\$51,527,478</u>	<u>\$31,086,128</u>		

Revenue

Revenue is projected to increase by \$0.2 m, or 0.6%, due to Baker space and cellular tower rental income. Proceeds from rentals must first be applied against the District's outstanding debt.

Escrow Activity for Refunding

Escrow activity relates to bond refundings that are held until the debt to be refunded is retired. During FY16, escrow accounts totaling \$36.9 m were accessed to retire the 2005A, 2005B and 2006C bond issues.

Expenditures

Expenditures in the Debt Service fund are the result of scheduled debt redemptions which have structured payments to retire principal and interest.

Fund Balance

Fund Balance is projected to decrease by \$35 m.

Saint Paul Public Schools

Quarterly Report Financial Definitions

Reporting Funds

General Fund

- Consists of all activities that are not accounted for in a special purpose fund. The activities include all regular and special education classroom activities, student and district support services, as well as building and grounds operations and maintenance

General Fund Fully Financed

- Contains budgets with outside funding sources and specific uses. An outside funding source is either a private, state or federal grant or contract for services
- Most grants and contracts require specific financial reporting to ensure that funds are expended within the agreement's terms and conditions

Food Service Fund

- Must be established in a district that maintains a food service program for students
- Food Services are those activities which have as their purpose the preparation and serving of regular and incidental meals, lunches and snacks in connection with school activities

Community Service Fund

- Must be established in a district that provides services to residents in the areas of: Adult Basic Education, Early Childhood Family Education, School Readiness, School Age Care, Adults with Disabilities, general enrichment, youth and senior programs, recreation and other similar services

Community Service Fully Funded

- Contains budgets with outside funding sources and specific uses. An outside funding source is either a private, state or federal grant, or contract for services
- Most grants and contracts require specific financial reporting to ensure that funds are expended within the agreement's terms and conditions

Construction Fund

- Records financial activity relating to a building construction program resulting from the sale of general obligation bonds or certificates of participation by a School District
- Building Construction funds are held in trust and expended only for authorized projects
- Resources may be used for general construction, building additions, architectural and engineering costs or equipment

Debt Service Fund

- Must be established in a district that has outstanding bonded indebtedness, for building construction or operating capital
- Must record activity for initial or refunded bonds. The School Board may authorize the investment of debt funds in certain types of securities as specified by law. The earnings accrued from such investments become a part of the Debt Service Fund

Governmental Accounting Standards Board(GASB) 54 Fund Balance Designations and Definitions

Non-Spendable Fund Balance

- includes amounts not in spendable form (inventory, prepaids)
or
- amounts that are legally or contractually required to be maintained intact

Restricted Fund Balance

- includes amounts that are subject to externally enforceable legal restrictions outside the control of the local government

Committed Fund Balance

- includes amounts constrained for a specific purposed by a government using its highest decision-making authority (School Board). Action by the same group would be required to change the constraints placed on these resources. The action to commit fund balances must occur prior to fiscal year end (Severance, Retirees Health Ins – Gen Fund)

Assigned Fund Balance

- includes amounts constrained with the intent to be used for a specific purpose. Intent is expressed by the School Board or by a body (committee) or individual authorized by the governing body

Unassigned Fund Balance

- includes amounts not classified as non-spendable, restricted, committed or assigned
- Board Policy sets the minimum at 5% of the annual General Fund expenditures for that fiscal year

2016-2017 Budget Guidelines

Philosophy

The Proposed Budget will reflect the District's Strong Schools, Strong Communities 2.0 (SSSC 2.0) strategic plan as adopted by the Board of Education (BOE). The budget is the District's financial plan that must sustain the academic plan. The District must maintain a stable financial system and effective operational practices, so that students and staff have the resources they need to succeed inside and outside the classroom. School and Program budgets will use the five focus areas: Racial Equity, Personalized Learning, Program Articulations and Alignment, Post-Secondary Preparation, and Infrastructure and Systems, in their budget preparations.

Preparing Budget Calculations

Budget Model: A modified roll-over budget method will be used.

Revenue Projection: Revenue will be calculated using current law.

Inflation: The Finance Office will project salary and fringe benefits using actual salary and benefit amounts if labor contracts have been negotiated and all non-personnel budget items will reflect no more than two percent (2%) inflation except for items related to contractual commitments.

Enrollment: The Office of Research, Evaluation, and Assessment (REA) and the Finance Office will prepare overall enrollment projections.

Average Salary and Benefits Calculation Data: A table detailing the average salary and benefits will be provided for budget preparations.

Fund Balance: In accordance with BOE policy, the budget will maintain an unassigned fund balance of five percent (5%) of annual General Fund expenditures. District administration will inform the BOE on potential use of unassigned fund balance during the initial budget planning presentation to the BOE. The District will continue to increase its future unassigned fund balance level to six percent (6%) or greater.

Creating the Budget

Schools:

- Continuation of a refined blended Site-Based and Centralized funding method will be used for schools in FY17.
- Class size ranges will determine teacher FTEs.
- Office staffing (Principal, AP, Clerk) and other staffing are determined by enrollment and type of school.

Non-School Programs:

- Non-School programs will be reported into three (3) categories: Central Administration, District-wide Support, and School Service Support.

Compiling and Presenting the FY17 Budget

Presentation Format: Summary information will be presented for schools and programs in the preliminary budget document. Each summary page will include an analysis of the changes to the current year budget that are impacting the schools and programs.

Fully Financed Budgets: Fully Financed budgets with anticipated revenues and expenditures that are over \$500,000 for the 2016-2017 school year will be included in the Adopted budget.

Other Resources Allocated to Schools: The Adopted budget document will include a school by school detail of resources allocated to schools such as grants, special education, operations, and student activities, to name a few.

The Adopted Budget: Administration will present a balanced budget to the BOE. The budget for 2016-2017 must be approved by the Board of Education by June 30, 2016. The Adopted budget will be published on the Business Office website (<http://businessoffice.spps.org>).

Policy Update

Jackie Statum Allen
Assistant Director – Strategic Planning and Policy

SPPS Committee of the Board Meeting
February 9th, 2016



Purpose

- The purpose of the presentation is to inform the Board of potential policy topics for the Board policy work group to review this year.



Board Policy Work Group

- Role and structure of Policy Work Group
 - 2-3 Board directors
 - Meet with administration to:
 - Direct the development of new policies
 - Review and amend existing policies
 - Advise on communication and engagement of policies with students, staff, and community
 - Bring recommendations to the full Board



Holiday Policy (603.02)

- Policy was adopted in 1974, with three revisions since then.
- Researched other metro area districts and learned that most have a Religion policy based on MSBA model policy.
- SPPS has that Religion policy as well (609.00), and there are some redundancies.
- Recommend this issue be discussed by the Board Policy Work Group.



Additional Policies

- There are additional policies that administration recommends for the agenda of the Board Policy Work Group
 - Develop policy regarding intellectual property rights
 - Develop policy to address Protection of Pupil Rights Amendment (PPRA)
 - Board Vacancy policy (202.02)



Questions?



**APPROVED MEETING DATES
REMAINDER OF SY 2016 ON THRU AUGUST**

COB	BOE	EX TEAM
3/8	3/22	3/29
4/12	4/29	4/26
5/3	5/17	5/24
6/14 - 4:45 p.m.	6/14 Non-Renewals - 4:00 p.m.	
	6/21	6/28
7/12	7/12 - 6:30 p.m.	7/26
	8/23	8/16

PROPOSED MEETING DATES SY 2016-17 ON THRU AUGUST

COB	BOE	EX TEAM
9/13	9/20	9/27
10/4	10/25	10/18
11/8	11/22	11/29
12/6	12/13	12/20
1/10 - 5:15 p.m.	1/10 Annual Meeting - 4:30 p.m.	
	1/24	1/17
2/7	2/21	2/28
3/7	3/21	3/28
4/11	4/18	4/25
5/2	5/16	5/23
6/13 - 4:45 p.m.	6/13 Non-Renewals - 4:00 p.m.	
	6/20	6/27
7/11	7/11	7/25
	8/15	8/29

BOARD GENERAL_MEETING DATES - FUTURE BOARD MEETINGS