

**MEETING MINUTES  
COMMITTEE OF THE BOARD  
MAY 10, 2011**

PRESENT: Board of Education: Jean O'Connell, Elona Street-Stewart, Jeff Risberg, Kazoua Kong-Thao, John Brodrick, Anne Carroll, Keith Hardy

Ms. Carroll departed at 8:25 p.m.

Staff: Superintendent Silva, Suzanne Kelly, Mike Kremer, Linda Goers, Laurie Olson, Kris Emerson, Sara Guyette, Marie Schrul, Andrew Collins, Heidi Bernal, Lynn Gallandat, Sharon Freeman, Dana Abrams, Ivan Nelson, Craig Anderson, Sherry Carlstrom, Jaber Alsiddiqui, Michael Bauman, Kate Wilcox-Harris, Michelle Walker, Iver Nelson, Nancy Katzmarek, Jean Ronnei, Tim Caskey

Other: Paul Nolan, David Peterson, Beth Hinton, Hai Yen Vo, Kate Richtman, Pat Harrison

**I. CALL TO ORDER**

Vice Chair O'Connell called the meeting to order at 4:35 p.m.

**II. AGENDA**

1. Preliminary Discussion of 2011-2012 Budget

The Superintendent stated the 2011-12 budget is guided by the Strong Schools, Strong Communities (SSSC) strategic plan to ensure the District is prioritizing resources to achieve results.

The plan has three goals:

- #1 Achievement which creates the conditions for every school to transform learning by giving teachers not only a well-rounded curriculum but the training, direction and support needed to deliver quality instruction to every student.
- #2 Alignment recognizes that the current Choice system does not do enough to address the achievement gap and provides a means for addressing equity across the entire district
- #3 Sustainability looks at the long-term success of the core functions – teaching and learning – and guides decisions based upon what is known to deliver results for students.

She went on to say resources are diminishing but the District is putting its resources into proven practices that will directly benefit students. The District will also continue to work with the City and County to make the most of collective resources and to align services that support learning for the entire community.

She noted there are four key features to the 2011-12 budget:

- The District will live within its means and has projected out through the life of the 2011-2014 strategic plan to allocate funds to succeed.
- Funding has been re-prioritized and shifted within district budgets to effectively resource the plan.

- Funding has been differentiated based on the requirements of the plan and not on a status-quo process/procedure.
- The District will track and report quarterly to gauge the financial effectiveness of the plan and make adjustments as needed.

Faced with diminishing resources the budget directs funding to the schools first, and since the strategic plan drives the budget, resources have been prioritized for schools with the greatest needs based on student performance.

The budget has been developed to provide families assurances that the centralized approach to budgeting establishes basic and essential academic supports for every school. This means greater equity and ensures fiscal accountability tied to student outcomes. The budget reflects District priorities more than ever before and allows the implementation of the strategic plan with fidelity.

The Superintendent then called on the Chief Business Officer to present an overview of the budget. He stated he would characterize the budget as being fully aligned with the SSSC strategic plan and that it is a balanced budget dealing with austerity as imposed by the State of Minnesota. The budget represents the best thinking of administration and that it will achieve the goals of the SSSC plan over the life of the plan. He went on to say administration is advancing its proposed Fiscal Year 12 budget for consideration by the Board with the intention to adopt a balanced budget by June 30, 2011 as required by law.

#### **BUDGET OVERVIEW**

He provided an overview of the current economic situation nationally and in the state and reviewed the initial projection (made in February 2011) of a \$19.8 million shortfall for SPPS. He then provided an analysis of the three proposals currently in play in the Minnesota legislature and Governor's office and the impact each would have on the SPPS shortfall. After weighing the legislation, SPPS revised its estimated shortfall to \$24.6 million for FY 12.

A mitigation plan was provided for the shortfall that included use of the following funds (amounts represent millions):

- \$6.0 from the original use of the fund balance
- \$1.0 in allowable Fund 02 transfers
- \$4.5 from utilization of the Ed Jobs revenue
- \$1.0 by holding the transfer of funds to the OPEB Trust
- \$9.9 in net program reductions from the roll-over
- \$2.2 in school reductions from the roll-over
- \$24.6 million Total

The Chief Business Officer then reviewed the Plan Goals again stating SPPS cannot continue to operate the way it has been and expect different results. SPPS is faced with a \$24.6 million shortfall and the State's \$5 billion shortfall could make the situation worse.

He went on to review the key planning assumptions which were used in developing the budget:

- The SSSC Plan is the first consideration in funding
- The funding plan should not take money back from schools during the school year
- The budget is built around assumptions that weigh proposals from the governor and legislature
- The budget is a blend of site-based and centralized funding methods.

The FY 12 projected budget (expenditures) represents a total of \$636.3 million broken out among the following funds (amounts represent millions):

- \$462.1 General Fund
- \$41.1 General Fund Fully Financed

- \$24.4 Food Service
- \$20.3 Community Service
- \$4.7 Community Service Fully Financed
- \$32.9 Building Construction
- \$50.8 Debt Service.

### **ACCOUNTING & REPORTING THE GENERAL FUND**

He reviewed the key features of the FY 12 budget plan: (1) Live within our means, (2) Re-prioritize funding [shift funds within the district to resource the SSSC plan], (3) Differentiate funding [based on requirements of the plan not on status quo process and procedure] and (4) Track and report to calibrate the financial effectiveness of the plan and recommend adjustments as required. He provided a chart showing the strategic shifts which have been made between the past procedures and the new “transformational” procedures.

The noted the changing paradigm, comparing past to “transformational”:

- Past had two categories (schools & centrally funded); new has four categories (schools, school service support, district-wide and central administration).
- Past has always provided an inaccurate funding picture and has failed to fully represent general fund distributions; the new will more accurately represent general fund distributions
- The past has not aligned with specificity to budgets; the new is aligned with specific budgets and is precise.
- The past represented permissive accountability; the new represents restrictive accountability.

He defined the major general fund categories:

- Schools/Sites – refers to all budgets for school sites in SPPS. Allocated \$221.1 million (47.9%)
- School Service Support – refers to program budgets that provide direct support services exclusive to schools. Allocated \$156.7 million (33.9%)
- District-wide – refers to program budgets that provide support to all areas of the District. Allocated \$79.7 million (17.2%)
- Central Administration – refers to program budgets necessary to support governance, policy & procedure and staff support to the Superintendent. Allocated \$4.5 million (1.0%)

He provided charts that showed exactly which budget areas fell under each category. He stated the proposed budget would meet most SSSC promises in the first year of implementation and set the conditions to meet all promises prior to SY 14.

### **EARLY RETIREMENT INCENTIVE (ERI)**

The report then moved to the District Early Retirement Incentive which will contribute to the Severance Pay Plan for each eligible employee. He reviewed the plan and the current status noting the deadline for choosing the ERI option is May 20, 2011. If the desired number of enrollees is achieved it will result in savings for SPPS over time.

### **FUNDING FOR SCHOOLS**

The CBO indicated funding for the schools represents another paradigm shift for SPPS through the key element of student performance differentiation with the dollars going to those with the highest need, class size ratios, staffing criteria and the introduction of a licensed position of Intervention Specialist.

### **TITLE I FOR SSSC**

There is a projected decrease of 3% in FY 12 for Title I along with the loss of ARRA funding. The passage of the SSSC impacted the schools served and new eligibility thresholds have been implemented.

## **FUNDING SCHOOL SERVICE SUPPORT**

The budget for this area is \$156.7 million (33.9% of the total budget). The CBO reviewed the budgets which were been assigned in this area and reviewed a chart showing the budget in each specific area noting the amount of the change and what the impact of the change was.

## **FUNDING DISTRICT-WIDE PROGRAMS & FUNDING CENTRAL ADMINISTRATION PROGRAMS**

A similar review was made of the \$79.7 million (17.2%) budget for district-wide programs and the \$4.5 million (1.0%) for central admin. The review again noted program number, area of change, amount and impact.

## **KEY MESSAGES**

Key messages associated with the FY 12 proposed budget include:

- Assuring families of basic academic supports at each school that provide a baseline upon which individual schools can build.
- In a time of diminishing resources, the budget directs funding of the general fund budget to the schools first and foremost, and
- Resources have been centrally allocated to ensure fiscal accountability tied to student outcomes.

The CBO noted that if additional money should be provided from the state the budget anticipates allocating it 70% to the schools, 20% district-wide and 10% to school service support. He noted the timeline would culminate with the final approval of the proposed budget scheduled for the June 21, 2011 Board meeting.

## **QUESTIONS/DISCUSSION:**

- If more money comes from State than originally planned will it come back in such a manner that it can be used in the allocation manner described (70/20/10) or will it come as designated funds? Response: If it comes as categorical funding, the District will comply with the requirements of the funding. This assumption is made based on general fund state aid money that is generally not categorical.
- Regarding integration money, does this create more accountability on how that money is used? Response: SPPS always uses monies as specified to improve the quality of instruction for students.
- With the percentage of reduction in the three areas other than schools (School support services, district-wide and central admin.) was a specific percentage of reduction applied across the board or more specifically? Response: Amounts were differentiated through an analysis that looked at each area on the merit of needs, legal requirements and SSSC objectives. There were evaluative judgments made on how much funding was needed to go where and what monies could be moved off the general fund to other options. Changes focused on differentiation.
- When you fund based on student needs, how do you ensure there will not be a backtracking on gains made using current funds in the schools that are succeeding? Response: Targets have been created – Stability index, math (at risk), reading (at risk) gap analysis (math) and Gap analysis (reading). The budget is not about taking from but about allocating to; it is about using funds strategically to accomplish goals.
- What measurements have been put in place to be sure that when money is moved from one place to another that you do not inadvertently do harm. Response: With the budget, we have done as promised and created equity and equality. We are looking at new ways by providing possibilities to schools by setting up ratios, number of teachers and other services so schools are the winners. There is no school, with the budget provided, that cannot open its doors to its students. In reality, with the funding being provided to the schools by the State, all are losers in many ways so SPPS must do the best it can to align the system with the current resources available.
- For those schools with different levels of funding in the past and have improved on the achievement gap, there is a perception they are losing something. How will the District ensure it maintains the success of those schools? When supports have been put in

place that are helping kids to be successful when there is a reallocation does the District run the risk of removing what are essential supports to the success of those kids? When support is moved away from those who are successful to those who are not, those kids who are in the middle and who have improved because they had those extra supports is there a risk they will fall backward when they lose them. Is there some sort of system in place to monitor for this? Response: There is a risk assessment that needs to be done with that process; the key is calibration and having the systems to monitor the effect of reallocations. The obligation of staff needs to be to establish the metrics to track and report back on what the impacts or effects are. The District can monitor along the way and correct as necessary. The District has invested in technology to look at this as well as having very experienced professionals to evaluate the data. The District must have a robust data management system to measure the success of resources, accountability and curriculum and synergy has to be calibrated all through the process. What is the risk and what is the mitigation?

- The Title I section – explain eligibility thresholds? Response: Federal Title I funding has remained flat and in the District the number of students eligible for free and reduced lunch has decreased which has created a double hit for the district. Title I funds provide services in schools. The dollars have diminished and they are being spread differently. This year there are many middle school students within the threshold (60%) so SPPS decided to expand the number of students in pot that also diminishes the amount of dollars. SPPS dropped five elementary schools that were under the threshold. Now all middle schools have Title I funds and several high schools (75%) have Title I funds which is no change. SPPS dropped two ALC programs as it is not worthwhile to redesign a program for the use of Title I funds. This took away some funding but now the schools are not subject to the same requirements as they were under Title I.
- What have been the impacts of cuts to coaching and professional development efforts which were intended to bring staff abilities up to meet the needs of students. If SPPS pulls money out of those areas, how will it provide the staff development necessary to get kids the instruction they need? Response: SPPS is not only having to cut but also look at services provided to the schools. One of the most difficult things is to provide adequate professional development to all staff. The current model has worked but there may be other ways to do this. SPPS is asking those who participate in the development programs to give feedback in order to redesign how SPPS does professional development within the district. SPPS is trying to see what is needed so it can serve everyone better and looking for ownership by staff so they can meet needs of staff and provide the best results for the money.
- Was there any discussion of creating added revenue through fees and other sources? Response: One area in which fees are used is athletics. The decision has been made to start the year with the current athletic direction and audit how money is being spent. This will help to find if it is the best way to spend it on athletics and is it feasible to charge more for participation in sports due to the large percentage of students under free and reduced lunch. SPPS would like to find other ways to raise revenue. This needs to be looked at and the district needs to be looked at as a business. It is important to explore what options are out there.
- The Board noted a discussion on other revenues should be scheduled for an upcoming COB.
- Reference was made several times to basic needs or levels of support across all schools – what does that mean? Response: Baseline means SPPS seeks equity through a baseline of proper staff to provide services that are based on SSSC student learning outcomes (and being proscriptive about that across the board) and also looking at the components of the district being elementary, middle and secondary with differentiation of needs there. It is about service capability. The other part of resource is the program and the right people, in the right place at the right time to set the conditions for student learning. Also, the blend of centralized methodology being the baseline, looking at equity because there is a diverse student population and learners. SPPS knows there is an achievement gap and it needs to deal with that. There are flexible options built in so that the principals can meet their needs at individual schools. SPPS believes the baseline

has been accomplished but it needs to be calibrated and assessed and if it is right, acknowledge that as well. The baseline provides the minimal options at schools so parents can be sure there are certain services available to students at all schools. At the same time, there is some differentiation possible through optional choices available at different levels.

- SPPS is creating a bridge for administration and leadership in schools to understand that SPPS has 65% of its students not reading at grade level so there is not a lot of option as to what kind of teachers you have. The only way to close the achievement gap is to get kids reading and teachers to teach reading need to be there to accomplish this. It is the same with math. The menu of options provides more direction and aligns with managed instruction which is being implemented in SPPS.
- The overall deficit of \$24 million – will that be closed when? Will it be closed this year, next year? Response: The District used money from FY 11 and rolled it into FY 12 to diminish what needs to be cut. Other funds came from Ed Jobs revenue, fund balance transfer, reductions from rollover and school reduction from rollovers. The State will pass a biennium budget; SPPS has an annual budget. In FY 12, the balanced budget proposal has to close the \$24 million shortfall and use of the noted funds accomplished that. There will be another shortfall in FY 13.
- What is roll over – When the initial calculation was done in February 2011, the FY 11 adopted budget added an inflationary factor and other factors change over the year which can result in an amount which can be carried forward into the next year.
- There are certain pockets of funds that cannot be rolled over, correct? Yes
- How does that affect the current situation? Response: When budgets are provided to schools, they can spend all of the money or they can carry some money over into the next year (carryover). There is some money that can only be spent in the current year (i.e., Title I).
- How does carryover impact the budget – is that factored into the package? Response: If it is carryover, that is factored into the package for schools and it is rolled into the next budget cycle. The perception is if you do not use it, you lose it. It may be lost at the building level but it goes into the fund balance.
- On the transfer of OPEB Trust Fund, does that mean nothing will go into the Trust Fund? Response: Yes, however there is the potential to restore it at some future point when the District's financial situation improves. Under this strategy, the money would not be put in during FY 12. There is already \$1 million in the Trust from FY 11.
- How is administration doing on getting glossary of terms? Can the book from the State describing educational financing be provide for board members?
- Even with the shortfall mitigation plan, there are areas where there has been a provision for increase. Is there a way to identify those places where the increase provision happened? There is an assumption that when faced with a shortfall there is a systematic reduction across the district. It would be helpful to identify where there is a provision for increased funds or an increase in services. Response. A consolidation of that could be provided, perhaps in major topic areas.
- The discussion around key messages, the narrative along the side on the slides is helpful. A differentiation that these require increases to stay even and this is where added resources are being made and this where there a reduction or intentional elimination of services might help further.
- On the OPEB trust fund, what are the implications, long-term, of not putting the \$1 million into trust this year? Response: There are a couple options; there is \$1 million in the trust fund now. The fund must be built up. However having \$1 million in the trust now, with the economy as it is does not net the District a great return. There is less risk in not having it in the fund right now due to economic situation. SPPS can, in future, put more than \$1 million in. The current delay can be offset by better return potential in the future. The lost time cannot be made up.
- The ERI, can we get sense of how you plan to get to 100? Response: The loss of FTE staff is heavy this year. Many of the teacher staff have seen SPPS investment through professional development. SPPS is incenting individuals to retire and using the jobs money created the opportunity to incent retirement. Eventually SPPS will gain in

keeping staff hired in the past few years which creates a more diverse staff. There has been an increase in interest over the past few days. The deadline is May 20. This is a viable way to see gain for the district at the end of five years.

- Why were other employees not included? Response: Calculations and the long-range view showed that this population got SPPS where it needed to go and allowing it to be measured and focused on the target through administrative guidance. This gave SPPS the best chance to achieve its objectives.
- What is total pool of eligible persons? Approximately 1227 with 654 eligible under the teacher retirement pension fund.

## 2. The Budget Book

The Chief Budget Analyst was asked to present the *Budget Book*. He explained the content of the book as being under the following tabs:

Tab 1 – Executive Summary

Tab 2 – Fund Analysis

Tab 3 – General Fund

Tab 4 – School allocations

Tab 5 – Program section

He stated he would be making the presentation out of the tab order and moving between the book and the slide presentation for clarity.

### **REFERENDUM REPORT**

In FY 2008-09, \$29.9 million was available through the Referendum for Continued Excellence. In future years amounts vary because they are calculated using projected enrollment numbers and inflation adjustments. This referendum will expire at the end of FY 12-13. The referendum dollars are to be used for specific, predetermined programs.

In FY 09-10 funds were used for (figures are in millions):

\$4.5	All Day Kindergarten
\$2.1	Early Childhood Family Education
\$4.3	Pre-Kindergarten
\$6.0	Secondary Math & Science
\$2.6	Secondary Other Programs
\$1.1	Technology
\$1.2	ELL
\$5.3	Special Education
\$2.8	Elementary Support
<u>\$0.1</u>	Allocation to Charter Schools
\$30.0	

### **GENERAL FUND – OVERALL**

The General Fund Revenue for FY 12 is projected to be less than projected in FY 11 by \$4.9 million or 1%. Enrollment decline, loss in Compensatory and Special Education revenues along with anticipated reductions from the state legislature contributed to the decline in revenue. Total projected FY 12 expenditures are projected to increase from FY 11 projection by \$5.7 million or 1%. The expenditure exceeds revenue by \$7.0 million. This difference is covered by the use of fund balance. He noted the following factors impacted revenue:

- Compensatory Education revenue decreased by \$3.1 million due to decline in the number of students eligible for free and reduced meals.
- Enrollment decline resulted in a loss of \$3.3 million in revenue.
- Increase in projected extended time enrollment generated an additional \$1.9 million from the ALC program.
- The potential loss from legislative action in the 2011 session is estimated to be \$4.8 million.
- Additional levy revenue for Other Post Employment Benefits (OPEB) and Reemployment revenue is estimated to be \$5.3 million.

- An additional loss of \$.9 million is projected in Third Party Reimbursement and other minor revenue sources.

## **SCHOOLS**

For FY 2012, a central allocation method was developed in support of the SSSC Plan following the funding requirements from the federal and state monies. Five areas of student achievement (stability, Fall MAP Math and Reading scores, gap analysis of Math and Reading scores) were used as differentiation criteria to allocate resources in an equitable way that targeted needs in each school. In addition, staffing allocations were also based on class size ranges established by central administration. The school's level of poverty was taken into consideration. The poverty threshold used was 71% or higher to be considered at a high poverty level. The school allocation went up from previous year by \$7.2 million without Title I and ARRA.

The school budgets are broken down by elementary and secondary. The "Other Sites" category (AGAPE, Bridgeview, etc.) did not have the differentiation criteria applied; they were rolled over and held harmless for the most part, if they did not lose enrollment or Comp Ed. These schools did receive allocations as a straight dollar amount. The "Alternative Sites" (ALCs, EMID, GAP) have mandates for the revenue where 90-95% of revenue must go to the program so they have a different calculation.

## **QUESTIONS/DISCUSSION:**

- How do percentages compare to the past? Response: In the past dollars went to the schools and they decided what to buy with those dollars. There are slightly fewer teachers but if you look at coaches and intervention specialist, that number is not available at this time. It can be said that with the FY 12 budget, at least 83% of staff at schools are working with the students. The new Intervention Specialist will provide support for kids who need additional support (academically, coaching, etc). This is a new position and requires individuals to be a licensed teacher.
- Why are the numbers for the alternative sites different? Alternative sites have a different funding method. These are unique programs.
- What is the Anna Westin House? Response: That is a program for with eating disorders, it is just starting up.

The schools will receive \$230,619,517 in total allocation for FY 2012. Sources include 69.3% General Revenue; 15.8% Compensatory Education Revenue; 8.7% Referendum Revenue; 4.2% Title I Revenue and 2.0% Integration Revenue. One of the challenges with FTE allocation and the centralized method of allocation is how to do the site specific dollars such as Comp Ed. The sites were looked at in terms of all students on site. This included Special Ed and ELL; those students are on site with services provided to them. The cost of those services were assessed and charged against compensatory education. This freed up some general fund revenues (which is uncategorized). So the higher the cost of Special Ed services to a site, the more compensatory dollars will go to that site.

Integration is moving away from racial balance and is based more on achievement and the achievement gap. That money was directed toward two areas - all day kindergarten and the Intervention Specialist positions. All day kindergarten is being funded by three areas, from the referendum, Compensatory Ed and integration revenue.

There are contingency funds set aside as back up for changes at the sites.

## **QUESTIONS/DISCUSSION:**

- What are Intra-school funds? Those are funds raised by the schools through their fund raising activity. The accounts vary widely in size from school to school and is assigned specific to site.
- The inequities around raising funds for specialized programs within schools, will that be addressed this year? Response: Yes, perhaps next year.



- Can schools fund raise any amount they want? Response: This has been used for such things as field trips and has created inequities among schools. That has been addressed this year by defining specific activities or experiences students will have at various grade levels. This definition also took into the consideration the socio-economic status of the school and family and any specialization of focus within a school.
- Can the intra-school funds be used to expand support staff? Yes.

### **PROGRAMS**

These are divided into three areas: Central Administration, District-wide Support and School Service Support. There is about \$1 million reduction between projected and adopted budgets in this area.

### **QUESTIONS/DISCUSSION:**

- Can these numbers be reorganized to show amounts and changes in a different way (more like the earlier chart) and can it include the restructuring.
- What is PAR? Response: Peer Assistance and Review is a program developed in cooperation with the SPFT as a support to teachers to improve their performance. The program has been extremely successful and well received.
- Will Achievement Plus be sharing practices and resources with the new schools? Response: Two schools have been added to Achievement Plus (Jackson & Maxfield). There is a commitment to expansion of full service community schools and Promise Neighborhood. There a commitment to share practices and resources within the definition of full service community schools through providing more comprehensive services to the community. The learning context is a little different due to the involvement of the City and the Promise Neighborhood initiative.
- Recognition was made that SPPS is being innovative and responsive in exploring opportunities for shared services. Are there other opportunities? From a governance perspective, the request was made that a summary of innovative efforts in sharing services with other entities be shared with the Board to (1) help district messaging and (2) for Board understanding of what they are looking at in budgets and where savings are being realized.
- Relative to the Board's zero based budgeting (ZBB), this shows a reallocation and no reduction in the board budget. Response: In the end, staff did not use ZBB. There was learning achieved from the process this year and it needs to be reshaped next year. The Board would like to see the election costs reflected. Where is the fact the Board is not holding an election reflected in this budget?
- Specific changes at school level, who had input in those decisions? Were the numbers simply taken to the principals? Response: In regard to where the opportunities for principals to look at allocations doing blended, centralized and site-based resource allocation. A cross-functional budget team was constituted and it shaped the baseline requirements and where areas of flexibility would be. The areas of flexibility are where principals could make input on what staffing and allocations would be.
- Is Parent University moving forward? Yes

There are two additions to the budget. In the Office of Family and Community Engagement there are personnel who were in the ELL budget working in the OFCE office; they have been reassigned to the OFCE budget. Also added to that budget is TIP so there can be greater intervention/prevention with a stronger partnership with the County Attorney office.

### **OTHER FUNDS**

- Fully Financed  
The budget proposed in FY 2012 will be \$16.6 million less than the FY 2011 adopted budget. Four new budgets have been added. The new budgets are the Special Education Preschool Incentive (\$.3 million), Turnaround St. Paul (\$.6 million), 3M Grants-District-wide (\$.8 million) and Travelers Leadership Academy (\$.6 million), of which two are federal grants/programs and two are private grants. Four budgets will not be adopted this year because they will not continue. The ARRA grants for both Title I and Special

Education were in year two of a two year grant. Special Education Wilder Programs ends in FY 2011 and Cy Pres Microsoft Settlement is ending. Two are federal grants, one is a state grant and the other is a private grant.

Due to the nature of the Fully Financed budgets, revenues will always equal expenditures. The revenue is decreasing mostly due to the use of the ARRA budgets in FY 11 but also to the change in budget amounts from the four new and four ending budgets (of which ARRA represents two). The fund balance will remain at zero.

- Food Service  
Nutrition Services' goal is to offer healthy choices and introduce new foods and recipes to students every year. Revenue is projected to increase .6% for FY 12 due to Breakfast to Go, USDA Fresh Fruit and Vegetable Grant and 12 additional Provision II breakfast sites where all eat free breakfast regardless of eligibility (this provision will be district-wide effective September 2011) and additional federal reimbursements. Breakfast to Go will be active in all schools for FY 12 compared to 40 for FY 11. USDA Fresh Fruit and Vegetable Grant will be effective on the first day of school for FY 12. 25 schools are projected to participate in FY 12 compared to 26 in FY 11. Food and dairy prices are projected to be slightly higher for FY 12. USDA allows for net cash resources of up to three months of average operating expenses. The projected fund balance at fiscal year end 2011 is \$4.3 million, which includes approximately \$1.5 million for inventory reserves and retiree health insurance reserves. The increase in the projected FY 11 purchased services item represents additional \$1.0 million chargeback from the general fund for lunch supervision and kitchen cleaning services. The transfer created additional savings in the undesignated fund balance in the general fund.
- Community Service Fund  
Based on current law, revenue is currently projected to increase by \$.6 million or 3% from the adopted FY 11 budget. This estimated increase is due to a combination of increased Adult Basic Education aid (\$.3 million) and an increase in fees from patrons (\$.3 million) arising from the proposed opening of additional Discovery Club Before and After School Care sites. Total expenditures are projected to increase by \$.85 million or 4% due to the anticipated increased resources noted above and an increased use of Fund Balance to maintain programming. There will be no staffing reductions, other than through attrition and the increase in area of Purchased Services reflects the fact that the District's Adult Basic Education program includes a consortium of local Community Based Organizations who participate in funding. Fund Balance is expected to decrease by \$.8 million or 37%. Fund Balance is reserved in the Community Service Fund, by program, with statutory limitations on the amounts. Each program's fund balance is well under statutory limitations and expected to approximate a minimum of 5% of FY 12 budgeted expenditures at fiscal year end.
- Community Service Fully Financed Fund.  
This budget represents grants that exceed \$500,000 in total expenditures. One major change in this fund relates to the continuation of both the PEK McKnight Grant and the Cohort III, 21<sup>st</sup> Century grants. Both were approved for an additional two fiscal years, concluding at the end of FY 12. The revenue is projected to increase by \$.4 million or 8.23% from the projected budget. This increase reflects the changes noted. The projected expenditures in fully financed funds usually follow the revenue. The projected increase will be \$.4 million. The fund balance will remain at zero.
- Building Construction Fund  
In Fiscal 11, the District determined issuance of Alternative and Capital bonds for calendar year 2011 to support implementation of the SSSC plan was necessary prior to June 30, 2011. The District will continue to sell \$11 million in alternative bonds to fund deferred maintenance projects and \$15 million in bonds to fund capital improvement projects. Calendar year 2012 issuance of Alternative and Capital bonds is projected to take place prior to June 30, 2012 to support the second year of SSSC. Revenue is projected to have an increase related to interest earned from investing proceeds from the calendar year 2011 issue. Expenditures are projected to increase in support of SSSC

concerning deferred maintenance and capital projects. The fund balance will decrease resulting from projects supporting SSSC.

- Debt Service Fund

The District will issue both alternative and capital bonds in FY 11-12 in the amount of \$26 million. The District will retire approximately \$36.5 million of existing debt, including \$10.8 million paid from the 2010A refunding issue escrow account in February of 2012. The net result will be a decrease in the overall outstanding debt of the District by approximately \$10 million. Fund revenue is projected to increase by approximately \$6.1 million or 13.3%. This increase is driven by scheduled payments of debt as provided to and approved by the Minnesota Department of Education. Debt Service Refunding issues for FY 12 have not yet been determined and, consequently, no refunding proceeds have been projected for FY 12. Debt Service expenditures are projected to increase by approximately \$6 million or 13.3%. This increase is driven by scheduled debt redemptions and refundings which have restructured debt payments to retire principal earlier and reduce long-term interest expense.

QUESTIONS/DISCUSSION:

- Years ago, a blue ribbon commission was formed to look at long-term debt. Is there long-term work being done looking at debt mgmt? Response: Yes, the District is looking out over a five-year period and making five-year projections. Staff is looking at how debt is being managed and keeping it in line in terms of ratings.
- Debt service has an increase due to timing, correct? Yes.
- Staff was complimented on the excellent job. Comfort was expressed with the budget at this point and continuing to move forward with additional pieces of information as the process moves forward.
- What will happen in terms on communication to staff, programs and individuals to make them aware of the changes. Response: Administration is trying to be sensitive to the needs of staff. Administration has officially been notifying staff over the past week about changes. Human Resources is reviewing the impact of school budgets relative to tenure. There was a detailed letter on the budget presentation and tied together all of the work with SSSC and the budget plan and what is happening with the legislature in *The Bridge*. Following this Board meeting, there will be an all staff e-mail with links to the budget presentation. Wednesday letters talking about potential position reductions will be delivered to staff. PACS are being informed about the process. In June, a notice to staff with formal information about positions will go out. Budget directors have met with staff regarding changes.
- How will work at the legislature and what is being done within SPPS, how will that play out? Response: The District is staying in touch through its lobbyist and MDE to keep abreast of events with regard to results of actions moving through the legislature. Response: The District needs to move forward based on competent planning assumptions. It will keep in contact through the lobbyist. There is accountability and the District must move forward with its budget plan as presented and be prepared to react as situations arise. The budget must be approved by June 30. Administration will continue to evaluate the various actions coming from the legislature and governor to try to assess reality and move forward as appropriate.
- Please provide clarification on the 304 FTEs which may equate to a higher number. Response: Remember ARRA numbers are included within the 304 and those reductions have been anticipated since ARRA was implemented. The financial plan is based on FTEs. The early retirement incentive could have a cascading effect on filling positions along with other factors involved with staffing. As estimates are discussed, it is only appropriate to talk in terms of FTEs, as administration does not know what the cascade effect will be at this point in time.
- Where does the substitute teacher pool fall under? It is in section 5 under School Support.
- A reminder was made that a glossary would be beneficial to understanding the budget.

**MOTION: Director Street-Stewart moved, seconded by Ms. Carroll, that the Committee of the Board recommend the Board of Education accept the FY 2011-2012 Budget Report as presented.**

**The Motion Passed.**

## 2. Administrative Re-Organization

The Superintendent indicated that she was proposing several administrative changes. The changes would involve the elimination of two Superintendency positions and the re-establishment of two Superintendency positions. She stated she was also recommending the appointment of two individuals to the newly created positions. Both positions would be in the Superintendency bargaining unit and the appointments would be effective at the end of the current school year following the final approval of the budget by the Board.

The Director of the Office of Innovation and Fund Development (OID) would become Director of Communications, Marketing and Development. The Executive Director of Operations would become Chief of Schools.

Additional administrative adjustments are being made to bring things into alignment with the Strong Schools, Strong Community Plan. The changes will provide cleaner alignment of responsibilities, as well as add capacity in the areas of academics and support to schools. Changes include:

- Reducing by three the number of direct reports to the Superintendent.
- Creating a Division of Schools that is intensely focused on the work of schools and principals, including coaching, monitoring and evaluation.
- Increasing capacity in the new Division of Schools to complete and implement the SSSC by reinstating the position of Chief of Schools and converting the title of Assistant Superintendent of Turnaround Schools to Assistant Superintendent for High Schools. The separation of work at the secondary level allows one individual to shepherd the work of converting the District to a middle grades model that is 6-8/K-8 rather than 7-8.
- Redesigning the work of the Center for Curriculum, Instruction and Professional Development (CIPD) so that it aligns with the overarching aspects of the new strategic plan to include an expectation that CIPD staff will provide direct support to school staff and students in implementing Managed Instruction and other elements of the SSSC Plan.
- Realigning the Department of Alternative Learning to the Chief of Schools so that a clear message is sent that SPPS Alternative Schools are fully integrated into the menu of available school options and that they will be held to the same high standards of ensuring student academic success.
- Realigning the Office of School & Program Improvement to the Division of Schools to enhance real-time intensive supports to schools driven by comprehensive data analysis.
- Restructuring the work of the former Communications Office and the former Office of Innovation and Development into one new department – Communications, Marketing and Development. This would include components of both of those areas along with an enhanced focus on marketing schools and increasing district enrollment through better information.
- Realigning the Truancy Intervention Program (TIP) and Early Intervention Program (EIP) to the Office of Family Engagement & Community Partnerships. The District will work collaboratively with the County Attorney's Office to expand work in the areas of attendance and truancy and use data to better target efforts to the students and families most in needs of intervention.
- Realigning Educational Equity, integration and diversity efforts to be more closely tied to District planning, policy and legislative work directed by the Chief Accountability Officer.

These changes will reduce costs and create greater efficiency and service delivery to schools and students.

**RECOMMENDED MOTION:** Ms. Kong-Thao moved, seconded by Ms. Street-Steward, that the Committee of the Board recommend the Board of Education approve, for action at the May 17, 2011 Board meeting, the Superintendent's recommendations regarding administrative changes and in connection therewith:

- 1) Establish the follow Superintendency positions: Chief of Schools and Director of Communications, Marketing & Development
- 2) Appoint the following individuals to the following Superintendency positions: Chief of Schools, Dr. Michael Kremer, effective June 21, 2011 and Director of Communications, Marketing & Development, Julie Schultz-Brown, effective July 1, 2011.
- 3) Eliminate the following Superintendency positions: Executive Director of PreK-12 CIPD, effective June 30, 2011 and Executive Director of Operations, effective June 21, 2011.
- 4) That the 2009-2011 Terms and Conditions of Professional Employment for members of the Superintendency be amended to comply with the foregoing.

**Motion Passed.**

**QUESTIONS/DISCUSSION:**

- Will these changes result in cost savings to central administration? Yes.
- Will these be part of the HR Transactions on May 17 or come as a motion from the COB? No response.
- Why the restructure of the two offices (OID & Communications)? Response: It has been found there is a tight alignment between how SPPS markets and aligns its communication and marketing efforts and funding. This will create a department that is more mindful and intentional in marketing and communications and create a greater economy of scale.

**III. ADJOURNMENT**

Director Brodrick moved the meeting adjourn. Director Hardy seconded the motion, which passed. The meeting was adjourned at 8:38 p.m.

Respectfully submitted,

Marilyn Polsfuss  
Assistant Clerk