

**MEETING MINUTES  
COMMITTEE OF THE BOARD MEETING  
JUNE 14, 2011**

PRESENT: Board of Education: John Brodrick, Jeff Risberg, Jean O'Connell, Elona Street-Stewart, Anne Carroll, Keith Hardy, Kazoua Kong-Thao (arrived at 4:41 p.m.)

Staff: Superintendent Silva, Sharon Freeman, Jaber Alsiddiqui, Jean Ronnei, Marie Schrul, Jackie Turner, Barbara DeMaster, Tim Casky, Ivar Nelson, Matt Mohs, Joe Munnich, Denise Quinlan, Michelle Walker, Suzanne Kelly, Kathy Brown, Michael Baumann, Kate Wilcox-Harris,

Other: John Foley, Daarel Burnette, Daniel Keller, Doug Belden, Bob Zick, David Kirchner

**I. CALL TO ORDER**

The meeting was called to order at 4:31 p.m.

**II. AGENDA**

**A. Discussion on FY 12 Budget**

The Superintendent stated last year SPPS cut \$27.2 million from its budget, this year it is cutting \$24 million. Despite the cuts SPPS must align the work needing to be done to make the Strong Schools, Strong Community Plan successful. The District took \$11 million from central services to balance the budget. Schools were, for the most part, exempted as much as possible from impacts of the reductions. She noted no tenured teachers lost their jobs this year. She then turned the meeting over to the Chief Business Officer.

**1. Update on Print Copy Mail Center (PCMC)**

The Chief Business Officer (CBO) indicated the purpose of the presentation was to explain and provide two options for the handling of the Print Copy Mail Center. He stated neither option will impact the proposed budget as brought to the Board; both options are cost neutral to the overall budget.

He then reviewed the background around the PCMC proposal. On August 10, administration was directed by the Board to seek opportunities with the City on duplicated services. In the fall of 2010 SPPS worked with a consultant and the City to explore printing needs. In spring of 2011 a recommendation was made that SPPS go out of the printing business and close the PCMC. In June 2011 the Board asked administration to reassess the situation and consider options.

The CBO presented a history of PCMC costs for FY 09, 10 and 11 (thru 5/31/11). He noted the current method is to "charge back" for print jobs. This is a fee charged to the requesting entity to offset the general fund dollar costs used to support the operation across the district. The costs shown represent total cost of business for the PCMC. It is expected costs will remain on a downward trend. Operation costs are down significantly for FY 11 which reflects direct efforts at cost savings. The charge back costs have also dropped somewhat. These costs are all within the District. He expressed concerns about how long the District can continue to finance the PCMC operation in the current manner or whether it should move toward other options. The costs are a legitimate need for the District to do business.

He reviewed the planning assumptions made in developing the two options. These included:

- Development of a three year history in order to understand trends.
- That all expenses including maintenance, lease fees, energy support, personnel, machine replacement costs were applied to the trend history to gain an accurate look at cost of ownership.
- That the pricing structure must increase to cover all costs of ownership along with looking at ways to distribute those costs and still keep them as low as possible.
- That the charge back method remain in place as a key finance design for supporting PCMC operations.

He then went on to look at Option 1 which was the elimination of the PCMC with a savings over \$200,000 in FY 12 and probably more into the future and that SPPS get out of the PCMC business and partner with RiverPrint (City) and make new connections now to leverage capability elsewhere. The challenges of this option include ensuring the provision of a capable alternative to meet school and program expectations. Ensuring a communication and workflow system for schools and programs with minimal disruption. There is also a need to insure school resources can meet local print/copy needs (copier capacity within each school would need to be assessed).

Option 2 is to retain the PCMC and keep it operating. This would require an immediate cut to costs so there is no General Fund cross subsidy needed. Prices would need to raise to break even. There would need to be a change in business practices to lower workload and costs. Unnecessary equipment would need to be sold and the floor plan size reduced. Leases would need to be renegotiated to reduce costs. The business model would need to be reoriented to secure work from other sources to raise revenue for SPPS. This would all need to be reassessed quarterly for FY 13 to be sure the cross subsidy target is on goal. The challenges would include a realignment of equipment leases; appropriate staffing to include printing management/marketing expertise; contemporization of equipment (tied to leasing with technology components) and a redesign of the business process would be necessary. Additionally an optimum price point adjustment for the chargeback model would need to be found, customer service would need to be maintained at current levels and there would need to be enough business to cover all expenses. None of these is insurmountable but not all can be achieved within the first year of operation.

#### QUESTIONS/DISCUSSION:

- If the \$200,000+ subsidy per year would need to be covered, prices will increase by about a third on average, correct? Yes, potentially but that would depend on where that is levied. One-third of the dollars are not being recharged to customers so that would result in 33% increase in FY 12. That does not account for cost spikes if there is a need to buy or lease equipment, etc.
- What about the ancillary costs of going with Option 1 on items RiverPrint cannot do and which might need to be outsourced (i.e., mailing presort, banners, etc.)? Mail costs for SPPS are based on mail service provided by the U.S. Post Office. SPPS uses a metered system. RiverPrint does not have the capacity to print large banners, so SPPS would need to out source to another source and it would be up to SPPS to do that.
- The Superintendent stated the decision on which option to go with would be up to the Board.
- Has SPPS had the opportunity to lease equipment which would be more cost effective? Yes, SPPS is looking at leasing, there are opportunities for savings there (around \$15,000 to \$30,000). This does not account for business redesign which might reduce costs further. There are other lease options which will be explored. In the end SPPS must get the General Fund cross subsidy to zero. There will be a spike in cost at about the four or five year mark due to equipment requirements and technological changes. In the end, everything is costed and a charge back is a charge

back to the SPPS budget – everything is internal. There will always be printing needs, the outlay is what is in question and SPPS maintaining an operations center costs SPPS approximately an additional \$200,000. Either option is viable.

- Charge backs – they are back to various funds (schools and programs) where does it come out of? Response: Materials and supplies from the General Fund. It is all General Fund money whether it is charged back or paid out it is all General Fund. If SPPS goes outside, the charges are still to the General Fund, the services need to be provided.
- Thanks were extended for providing the options.
- The potential \$200,000 in savings works only with the numbers SPPS actually has. SPPS does not have future actual costs charged by an outside printer. There is no basis for outside costs there is only the measure of known current costs so SPPS needs to find out what those “future” costs might be to factor them into the calculation/assessment. Response: The reality is it depends where things are charged to program budgets or to the General Fund. There are a lot of ifs in this, but SPPS pays for either in the end. Certain things are known but the additional charge back costs are not known either in house or going to RiverPrint it all hits the General Fund – the factors around timeliness, priority given to a job, the convenience factors, relationships in working with an unknown entity are all unknown factors which need to be considered. The question is whether SPPS is in the business of printing or of education. The \$200,000 needs to be made up and is why it was suggested to go to RiverPrint so SPPS can get out of print business. It is a given that RiverPrint needs to pass its costs to SPPS, even though it is in a non-profit situation. A decision needs to be made which way to go.
- There are uncertainties either way which need to be addressed.
- The PCMC is related to education as it prints items related to and needed by the schools. Concern 1 is the need for new equipment, newer equipment at the PCMC is 10 years old but in excellent condition. Concern 2 is the need to move forward and looking at staff. What about training current staff? Response: New equipment will be needed in 4 to 5 years. The only option is not to necessarily to hire a marketing/management individual. Training is a dimension which can change the paradigm and business redesign will gain efficiencies. Option 2 provides time to build that. Transitions are the points of most vulnerability, change requires mitigation for that.

MOTION: Director Carroll moved the Committee of the Board recommend that the Board of Education ask administration to continue to pursue further Option 2 to gain further information and that it keep the Board informed during the process. The motion was seconded by Director Hardy.

- Clarification was provided that it be brought back at the convenience of administration since it has been stated it is budget neutral to the budget presented to the Board. The CBO clarified it is budget neutral to the proposed budget because the General Fund cross subsidy is not being raised in either option but it will affect the approval on the 21<sup>st</sup>. It was suggested the budget could be adopted in such a way as to allow time to make this decision when information is available comparing RiverPrint to current operations.
- Clarification was asked about whether common product was taken to RiverPrint for comparison of costs. Was that done and how did those numbers compare and affect total costs? The Director of Nutrition and Commercial Services was asked to respond. She stated there are some items which can be priced on a “common” basis – straight black and white, straight color printing, etc. The majority of jobs in the printing business require customization and the majority of work at the PCMC is not common duplicative printing. Regarding mailing SPPS would use its current nonprofit rate and permit; the difference would be what a vendor would charge for the service to put together the mailing. There is a presort rate which the Post Office charges, other costs involve the sorting which is generally gotten by shopping around for the best

- price. It would be challenging to get a full comparison of prices both for mailing and printing because of the multitude of variables involved.
- An action on the motion would provide some idea of preference for 1 or 2 and then administration can continue to pursue to be sure the best cost containment and delivery of service is available. SPPS needs to continue to pursue because the information provided does not make clear that Option 2 should just be accepted. This does not necessarily need to come back to the Board but there needs to be the understanding by administration that there are items in the calculation that were not factored in and need to be considered. They may not be calculable in a reasonable period of time; such things as what is the value of the level of service, customization of product, that is money which might not be able to be calculated but it is cost taken away from the children if a lot of time is spent going over other proposals, options, etc.
  - If in a week's time with additional information will the Board have enough information to make a decision or express a preference? This is an on-going conversation and it needs to continue to be pursued until the administrative concerns and Board concerns have been addressed. It is, in the end, an administrative action. This is such a critical communication function that the District has total control over now, it is not about the replacement it is about the communication services provided.
  - So, for clarification, if the motion is approved would the Board continue in its budget approval process? Would the Board not make the decision on Option 1 or 2 and leave it to administration? The Superintendent stated administration was not expecting the Board to make a decision as this is the first time this information has been brought forward on the options. The expectation was the presentation of two options, it was to make the Board aware.
  - So, administration would pursue the one which makes the most sense? The objective of the presentation was to provide a second option to the RiverPrint option. Because there is an implication to the budget, the decision must come from the Board not administration. There will be a different amount, it would change budget "lines" but not the bottom line of the budget.
  - As administration looks at this look at the costs time-wise for the clerks in the building to have to deal with option one which would make extra work. If variables are added it needs to be costed all the way – such things as copiers in the buildings, finding outside vendors for banners, etc. If it is not about costs, if it will cost more either way – then keep PCMC in-house for the service.

Director Hardy called the question.

**RESTATEMENT OF MOTION:**

**Director Carroll moved the Committee of the Board recommend that the Board of Education ask administration to continue to pursue further Option 2 to gain further information and that it keep the Board informed during the process. The motion was seconded by Director Hardy.**

**Motion passed with 5 in favor and 2 opposed (Street-Stewart & O'Connell).**

**2. Presentation and Discussion on FY 12 Proposed Budget**

The Chief Business Officer reminded the Board that the purpose of the discussion was "to advance the SPPS Administration's Proposed FY12 Budget for consideration by the Board of Education in order to proceed to the adoption of a balanced budget, as required by law, by June 30, 2011.

The total FY12 projected budget is \$636.3 million (all figures are in millions) and is composed of \$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 and \$50.8 Debt Service.

Key budget planning assumptions included:

- The SSSC Plan is first consideration in funding

- The funding plan should not take money back from schools during the school year
- The budget was built around assumptions that weight proposals from the governor and legislature.
- A blended site-based and centralized funding method being used for schools in FY 12.

Key features of the FY 12 budget plan include:

- Living within the district's means – means will be projected through the life of the plan, prioritizing funding with the SSSC plan and allocating funds to succeed.
- A re-prioritization of funding – shifting funds within the district budgets to effectively resource the SSSC plan.
- Differentiation of funding to schools – base funding on the requirements of the plan and not on status-quo process and procedure
- Tracking and reporting – implementation of a robust, detailed tracking and reporting program to calibrate (quarterly) the financial effectiveness of the plan and to recommend adjustments as required.

Adjustments made to schools include an additional \$300,601 to Humboldt, \$929,973 to Washington from contingency monies. Both of these were to address inequities created by the formula for schools with grades 7-12. From additional Title I funding which became available \$178,188 to Adams, \$101,069 to Chelsea Heights, \$80,951 to Crossroads Montessori and \$93,884 to Highland Elementary. Adjustments made to centrally funded budgets included \$23,308 in Central Administration; \$276,692 to district-wide support and (\$300,000) from school service support. The centrally funded adjustments were all internal adjustments and netted a zero change in the bottom line.

#### QUESTIONS/DISCUSSION:

- What is the rationale for shifts within centrally funded areas? Response: The Central Admin reflects changes to the Board budget. The District-wide reflects changes to the storehouse, safety and security, employee benefits and operations and maintenance.
- School support reflects a reallocation from transportation to safety and security.

MOTION: Ms. Carroll moved the Committee of the Board recommend the Board of Education adopt the FY 12 balanced budget of \$636,282,683. Motion seconded by Ms. Street-Stewart.

#### QUESTIONS/DISCUSSION (Continued)

- Concern was expressed about looking more closely at the impact of the budget on particular areas within organization, particularly FTE cuts. Descriptions of the impact of cuts in terms of change or loss of services. The Board needs to have this information to report back to constituents on the impact of cuts in budget the Board voted on. What is missing is a synopsis of how this is changing the district – how are things being done differently with fewer personnel. In what way is the district not delivering services because it cannot afford to do something any longer or how it is reorganizing to offer those services in a different way? What is the effect on kids or schools? A white paper was requested from administration to address this at an earlier meeting, where is that? Response: It is in process and should be to the Board this week. Clarification was sought on areas: professional development?
- Clarification was provided: What are the implications of changes due to reductions or changes within the district or what new services might occur or not be delivered? How will the changes impact the schools and programs?
- There appear to be several issues where additional information is needed for the Board to make its decision, what categories? Major changes within the centrally funded categories and their impact. The public needs something different, categories such as: direct instruction to children and how will that be different; professional development and the whole range of things that make staff better at what they do. Others include operations, transportation. The strategic implications of how the district will redirect energy to meet the three main goals of the strategic plan.

- What is the expected return on investment to accomplish goal #1 with the school start time changes (the \$1.9 million savings in transportation) versus the impact/problems for families. Response: The change to tiers was a very difficult decision because of the impact it would have on families. This change was the only way to get reductions in transportation costs. SPPS has spent 27% more in transportation over the past 5 years. For those schools where the time changed to 9:30 SPPS looked to see if Discovery Club was an option. It looked at what the City provides and how that might be enhanced to help families. The dilemma exists for one year, when the plan moves to regional areas the district may be able to diminish the length of routes and find a different way to deliver transportation. For high school students the district will work with families to have changes for FY 13 prior to January. This will affect some families because of the inconvenience in time or the additional money for Discovery Club. If costs to families is too great there are options to move to schools starting at 8:30. The change addresses goal 1 in its impact on families however the money saved is reinvested back into the schools. There is \$2 million more in the schools so it does affect achievement in that way.
- If there are issues in schools other than that of the time shift, will administration have discussion with those involved to solve the issues? Yes, administration will be helpful and serve the community.
- Funding for schools, how is the compensatory figure per school vs percent of special ed and ELL funding impacting schools? Response: The cost of special ed and ELL has a cross subsidy. The general fund pays for that and the funds go to the schools to service the students. The comp ed formula is based on the level of the programming in the schools. In looking at some schools next year there will be a fund shift in the proportion of general fund and comp ed funding, a reversal between the funds. If there is a high use of a program at a school site the comp ed may have contributed more to that. Adjustments were made to some schools to make up for some of the discrepancies. Schools are not being penalized for having special ed students on site. The money goes to the schools to service all students at the sites. Some of the programs cost more than they generate in revenue, that is a known. Another point, \$7.2 million was added to the schools this year over what they had last year. Even with that there are some schools with fewer resources and that will be looked at in order to find a different way of allocating or sharing funds or revising the formula. Irregardless, all of those programs need to be paid for.
- All comp ed that is generated by the sites is going to those sites. What schools do not see is part of the comp ed paid from the general fund previously. All schools got additional general ed fund but in some cases that is less than what was previously generated by comp ed.
- Explain the funding streams for capital improvements within central admin buildings as opposed to services at school level. Response: The only funding being used for this is onetime only funding for improvements to central admin buildings. The costs for these renovations are not high and if they are not done now they will still have to be done in the future. The funding of capital improvement programs/projects aligned with bond funds and the capital plan established a few years ago will all move forward as planned. The capital improvements in the high schools and at 360 all involve money which is available through the dental holiday and are only available, as far as known, this year. They provide the opportunity to move forward now rather than waiting for future funds which may not be available. The changes will save time and labor in moving furniture and cleaning for maintenance staff. The changes will also provide a more welcoming environment at as low a cost as possible for a long-term benefit.
- Relative to the handout provided to all board members it was stated the statements provided were not adequate and needed further clarification/expansion. How will services be improved if there is reduction in staff, etc.
- The statement was made that the proposed "white paper" and a fleshing out of the May 10 Summary of Impact sheet should provide the information needed by board members.

**RESTATEMENT OF MOTION:**

**Ms. Carroll moved the Committee of the Board recommend the Board of Education adopt the FY 12 balanced budget of \$636,282,683. Motion seconded by Ms. Street-Stewart.**

**Motion passed with 6 in favor and 1 abstention (Hardy).**

B. Policy on Dangerous Weapons Relative to JROTC

**MOTION: Ms. Carroll moved, seconded by Ms. Kong-Thao, that the discussion on Dangerous Weapons relative to JROTC be moved to the June 28 COB meeting agenda.**

**Motion passed.**

C. Standing Item: Strong Schools, Strong Community Update/Programs Changes – A hard copy update was provided for each Board member.

D. Standing Item: Policy Update – No Report

**III. ADJOURNMENT**

**MOTION: Ms. Kong-Thao moved the meeting adjourn. Motion seconded by Mr. Hardy.**

**Motion passed.**

The meeting adjourned at 6:27 p.m.

Respectfully submitted,

Marilyn Polsfuss  
Assistant Clerk, St. Paul Public Schools Board of Education