MEETING MINUTES
COMMITTEE OF THE BOARD MEETING
April 6, 2010

PRESENT: Board of Education: John Brodrick, Jean O'Connell, Vallay Varro, Elona Street-Stewart, Anne Carroll, Keith Hardy

Absent: Kazoua Kong-Thao

Staff: Superintendent Silva, Suzanne Kelly, Sharon Freeman, Bill Larson, Matt Mohs, Jill Cacy, Yusef Mgeni, Howie Padilla, Kathy Brown, Shirley Heitzman, Michael Baumann, Kate Wilcox-Harris, Mandy Richie, Denise Quinlan, Richard Valerga, Kris Emerson

Other: Michael Schumacher, Christy Hudy, Sarah Wooley, Daniel Keller, Doug Belden, Greg Patterson, Dennis Cheesebrow

I. CALL TO ORDER

The meeting was called to order at 4:35 p.m. and introductions were made around the room.

II. AGENDA

1. Standing Item: Budget Update

The Superintendent stated the presentation for this meeting would focus on certain parts of the recommendations discussed with the Board in March. As the schools need to receive allocations so they can begin to plan their 2010-11 budgets the recommendations presented were those that would most directly affect schools.

The Chief Business Officer provided a summary of the potential reductions:

School Programming	$ 500,000
Facility Usage	500,000
Centrally Administered Programs & Services	7,487,500
Schools & Academics	10,000,000
Labor Adjustments	1,000,000
Total Potential Reductions	$19,487,000

He then provided specifics on the reductions in each area:

- School Programming - $500,000, the Program Changes budget was used to fund the expenditures related to the anticipated 2009-10 program changes throughout the district. No additional resources would be available if program changes occur in FY 12 and the costs incurred would need to be absorbed.

- Facilities Usage - $500,000, this is repayment of prior year ALC general fund use; there would be no direct student impact. Current ALC revenues exceed expenses.
- Centrally Administered Programs/Services
  (1) $4,900,000 in the Office of Business and Financial Affairs. The budget short fall did not include the revenue from the OPEB levy; this change would recognize all of the $4.9 million as revenue and the OPEB Trust Fund would not be 'seeded' per the presentation to the BOE on 8/4/09. (This was reduced back to $3,900,000 by action later in the meeting.)
  (2) $1,000,000 reduction in the ELL budget (a reduction to TOSAs and staff in the buildings).
  (3) $750,000 reduction in the Special Education budget. Maintenance of effort (MOE) must be maintained. The actual reduction must be $1.5 million to net a $750,000 reduction due to the matching process.
  (4) $100,000 reduction of 1.1 FTE in Student Wellness. There would be no impact to schools. An FTE of .9 eliminated from programs being closed (Roosevelt, Longfellow, Bush Memorial) and an FTE of .2 shifted to the Early Childhood Screening budget.
  (5) $150,000 reduction through ending the New Teacher Project contract effective 3/16/10.
  (6) $150,000 reduction in consulting contracts by reducing the District's reliance on external consultants. This will require more in-house professional development support.
  (7) $425,000 through the collection and allocation of all indirect costs charged to Federal grants received and distributed to programs supporting those programs.
  (8) $12,500 by holding one day of the Administrator's Academy at an SPPS site.
- Schools and Academic Programs – The total reduction would be across to board to all schools at a net reduction of 5,695,326.

Budget Reduction Amount	($10,000,000)
Additional Comp Ed from the State (Free and reduced lunches)	4,172,471
ARRA	1,502,546
Referendum	(1,268,142)
Integration	(102,201)
Net Impact to Schools	($5,695,326)

- Labor Adjustments - $1,000,000 staffing reductions through a voluntary early separation incentive. This must reach a tipping point to be financially viable and there is concern about losing hard to find licensed staff.

The meeting facilitator indicated the process would be to go through the slides first for clarification and discussion. Then more in-depth discussion on those areas raised as being of special concern with the final result being an action from the COB which would allow allocation to the schools to take place.

QUESTIONS/DISCUSSION:
Slides 2 and 3:

- The comment was made that changes must encompass a comprehensive financial impact even out two and three years. It must be recognized that some of these changes may have tails impacting future years.

- Given the recent study looking at implementation fidelity – will these changes have an impact on that issue. Response: This money was set aside when the district was making program changes for additional time for professional development, etc. The way the district is working toward Level 4 implementation is through the academic budget; these cuts are from the instructional service budget. This may be a temporary cut as there may be a need for money to do additional changes in future years.

Slides 4-5

- Clarification was requested on the impact of not seeding the OPEB trust, what is the long-term impact? Response: The impact of not seeding is it creates an inability to mitigate that liability. This year the actuarial valuation is being updated and the potential result of not seeding is that the actuarial valuation of the liability will grow instead of shrink. A third possible impact is the bond ratings may be impacted. They look at the financial statements and how mitigation is being accomplished. The other potential issue relates to the Operating Levy and thinking forward to the fact it ends in 2013. This leads to a need to consider the method for pursuing the Operating Levy in the future. The District received $4.9 million from the Pay Go Levy based on getting an MOA from the teachers. The impact is that next year the money seeded for that particular issue would be applied totally the shortfall and the OPEB liability mitigation strategy would not seeded. This year's action does not preclude seeding in future years.
- Concern was expressed about the bond ratings – if this is only done once, will there be a potential short-term impact on the bond rating or can this be positioned for no impact? The bond ratings are established through a review of the District's financial statements which will be clear on what the OPEB liability is. What Standard & Poor's and Moody's decide to do with this information could impact the rating, it depends on the factors they consider and their ranking system for determination. Additionally, the combined effect of how states are positioning their finances could have an impact on all systems that have an OPEB liability across the board.
- Is it correct that the original decision was to seed the OPEB Trust with $1 million? Yes. So, this represents only a $1 million change from the August presentation? Yes.
- Are there costs to not doing this investment now? The investment would be for less time and less quickly is there a sense of what the scale of those costs would be? Response: The numbers have not been run because the actuarial valuation is currently in progress. The numbers will become available in the next couple weeks.
- Where would the money to come from in future as the projections indicate the next few years will not get any better? Response: The District does not know the discount rate right now so this cannot be projected. Ultimately, there is a financial cost for each year this is delayed unless more money is put in in the future mitigates this. There was a compelling argument for seeding OPEB made in the August presentation, discomfort was expressed in not moving forward with this.
- ELL & Special Education reductions, is this primarily staff? Response: Some staff, some contracts being reduced with some of the centers as the District can serve the kids internally. The focus for staff reductions will begin with encouraging voluntary retirement before the District moves to other options. Voluntary retirement must be made available to everyone, one group cannot be targeted over another.

- Advocating for full delivery of the mandate for special ed services, if additional dollars were to become available would that impact the subsequent years' budgets or would it be used to restore cuts in the current year? Response: The reality is that more money will not be coming. Additional dollars will be through Title II and III (Title I is frozen) both of which have a cap and through competitive grants which is how future money will be allocated. SPPS is aware of what these grants are and is applying for a number of them.
- Additional concern was expressed about not seeding the OPEB Trust as had been moved in August. The comment was made that not doing this seems to be a less than desirable short-term strategy.
- About ELL & Special Ed, there have been efforts to embed that capacity within non-ELL teachers to better serve these students' needs. How can the district commit to its mission, goals and student achievement, what St. Paul citizens expect, what the children deserve and what the law requires, if staff is cut from the kids who need it the most? Response: The reality is there must be a budget cut and the entire organization will feel the impact. The District must do more with less. The largest budgets, as a whole program, are Special Ed and ELL. The bottom line reality is that to get to the $28 million in cuts, student services will be impacted.
- The comment was made it would be beneficial to see the amount reduced as a percent of current budget so the relationships can been seen more clearly. Response: The percentages for Special Ed is 2.4% for ELL, 5%.

Slides 6-7

- Indirect costs, why has not this been done already? Response: Because of the potential for adverse impact on budgets which have already been allocated and where services are in progress. Doing it this way provides the opportunity for transitions to occur and budgets to be redone.
- This is a direct cut to funds available to serve students? This is distributing indirect costs instead of absorbing them centrally? Response: This might be purchasing supplies, other things; it would need to be reviewed budget by budget to get to this answer. Universally it is not direct services but there may be some impact there, which is why the transition is in order.
- This is moving from general fund fully financed to the general fund? Yes, from grants to the general fund.
- Under the Consulting Contracts, specifically more in- house PD support. Is there a cost to that? Response: This is one part of the cuts for external consultants (additional cuts will come out of ARRA) who are paid directly from the general fund. The impact will be in some cases less professional. development in some areas and more use of internal expertise.
- Student wellness - .The shift of the 2 FTE to early childhood screening, does the district receive funds to do the screening? Response: The district receives the whole amount though it is pro-rated for children ages 3, 4 and 5 year olds. More is allocated for the 3-year olds. Potentially the district could capture more reimbursement if it targeted screening earlier. The district is doing some of that, however the district does not have enough 3 yr old program spaces; the ideal would be to have more 3-year-old programs. The earlier children are worked with the better their future achievement.
- On the Consulting Contracts – can the reductions be increased? Response: There is not much money paid out of the general fund for consultants. The percentage could be provided later. Most consulting funds come from grants. A

request was made to obtain the percent of consultant dollars from the general fund.

Slides 10-11

- The $10 million – where did it come from? Response: Total reductions needed were looked at and a percentage was used for the district relative to the $28 million. There was also a back channel analysis of what the total reduction would be and what impact would be looking at budgets from last year. The total reduction nets out to be $5.7 million or less than a 5% reduction to schools.
- Looking at slides 10 and 12 together, there does not seem to be information on the permanent structural reductions (hard costs) that were agreed to be essential so the same exercise does not have to be repeated over the next several years. Where are they? Response: This is not the complete list, this is only the pieces that impact the schools so they can begin to do their budgets. A full list will be brought forward next week which reflect the bigger changes.
- Clarification was provided on the ARRA funds on page 10 – The total amount of ARRA dollars going directly to the buildings is $5.5 million. Last year the figure was $4 million. This is in addition to last year.
- There needs to be more clarity that these are changes to the general fund only. Since ELL and Special Ed are, being called out specifically that this is relative to their part of the centrally funded budget. The context in which this is happening needs to be clarified.
- Explain the relationships (positive and negative) on the $10 million on slide 9, the proposed reduction for all schools. Response: The $10 million is the proposed reduction number for all schools. The way it is shown is the mathematical accounting notation ( ) means negative and without is positive. There is a huge challenge with the different buckets of money available to public education and making that clear to the public and making it easily understandable.
- A suggestion was made (Slide 9) that there needs to be additional explanatory information added to this chart to provide more clarity for the general public. It needs to be made clear administration was able to find additional dollars from other funding to lessen the impact on schools; the whys and becauses.
- Another question the general public will have is how does this impact “my” school. Response: The schools will receive their information and the amount of money they will receive for 2010-11. It will contain a percentage comparing it to the amount received for the prior year. The site councils will be aware of the impact.
- Slide 11, the tipping point, how confident is the district that the tipping point will be reached? Response: That is an unknown. It is being brought up early so that people will be provided time to plan, to see if this might be an option they want to take advantage of. This is a one time only option and is offered to moderate layoffs through attrition.

The Facilitator indicated the Board was being asked to provided a level of support and agreement so Administration could move forward with the allocations to the schools. The one slide that appeared to have the most concern associated with it was the OPEB piece which merits more discussion. A comment was made that support could be given to a statement to move forward on all items but the OPEB issues which could be put aside for future consideration. The Chief Business Officer stated that if the recommendations were modified in this manner OPEB should be acted upon in some manner so that it could become part of the information considered in making the

actuarial valuation as it would have an impact on a number calculations in that valuation, in the annual audit and in the bond ratings.

ADDITIONAL COMMENTS:

- Concern was expressed on the impact of any program changes on the budgets. Response: It will be a messy process but it will be dealt with. The principals have been asked to look at the budget in the "big picture" and avoid moving into very specific areas until all portions of the changes have been communicated.
- Minimization of possible misunderstandings of the materials as they are communicated to the public needs to be a priority. Clarity and specificity of communication is essential.
- The OPEB liability should not be put off forever and additional cuts should be considered in order to move to fund the OPEB trust. What are the options for the trust fund? $500,000 as opposed to $1 million? The levy has been portrayed as working toward fixing future problems so that should not be used unilaterally to solve current problems.
- If the Board goes with the proposal not to seed the OPEB trust fund, will it save jobs? Response: Indirectly, yes -- everything does indirectly..
- The comment was made that the Board worked hard to get agreements from the bargaining units to support the funding of the OPEB trust. Every day the district does not fund OPEB is a cost the District.

MOTION: Ms. Street-Stewart moved the Committee of the Board recommend the Board of Education approve support of a reduction of $18,487,000 and that the seeding of the $1 million to an OPEB Trust proceed as previously moved on August 4, 2009. Motion seconded by Mr. Hardy.

Motion passed.

III. **ADJOURNMENT**

MOTION: Ms. Carroll moved the meeting adjourn. Motion seconded by Ms. Street-Stewart.

Motion passed.

The meeting adjourned at 5:44 p.m.

Respectfully submitted,

Marilyn Polsfuss
Assistant Clerk