

**MEETING MINUTES
COMMITTEE OF THE BOARD MEETING
May 18, 2010**

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

Absent: Kazoua Kong-Thao

Staff: Superintendent Silva, Shirley Heitzman, Sue Gutbrod, Terri Bopp, Mary Gilbert, Kathy Brown, Jaber Alsiddiqui, Philip Fried, Barbara Lamb, Lynn Gallandat, John Andrastek, Michael Thompson, Dave Perry, Anita McLaughlin, Kari Howard, Mandy Richie, Susie Leek, Leslie Snow, Bill Larson, Nancy Cameron, Jeff Lalla, Heidi Bernal, Jill Cacy

Other: Doug Belden, Greg Patterson, Amy Nelson, Andy Nelson

I. CALL TO ORDER

The meeting was called to order at 4:36 p.m.

II. AGENDA

**A. Presentation of FY 11 Balanced Budget Proposal
(Including Referendum Report and ARRA Update)**

The Chief Business Officer stated the \$27.2 million in reductions is not reflected in the Budget Book; those reductions were made in order to reach the FY 11 budget figure of \$623.8 million. He went on to state that carryover has been built into the budget. The carryover policy for elementary schools is \$15,000; middle schools \$20,000 and high schools \$25,000. There is \$1.5 million in carryover reflected in the budget.

He then moved into the presentation reviewing the budget philosophy:

- High Achievement – to provide funds to programs and initiatives that impact improved student achievement and provide schools with a feasible funding allocation.
- Meaningful Connections -- to involve staff, students and community in the budget process and to develop budgets in accord with accounting guidelines, District policies and State law.
- Respectful Environment – to allocate funds on a per pupil basis and to directly allocate categorical funds to sites.

The administration and the Board developed the guiding change document to serve as a basis for the FY 11 budget development. The principles were:

- To create a balanced general fund budget by June 30, 2010
- To develop solutions that are within the context of revenue, student demographics and expense projections
- To meet the SPPS Mission, Vision and Goals within resource limitations
- To increase academic achievement for all students and eliminate achievement gaps among student groups
- To stabilize and increase percent of total market share of school age children over the long term.

Within the context of the Guiding Change document solutions considered included:

- Grade reconfiguration with clear articulation for most, if not all, of the programs with best practices focus
- Re-alignment of District into clearer feeder school systems
- Equitable allocation of general and specialized funding across all schools as defined by the District
- Maximization of facility capacity, especially at the elementary level (closing/combining schools/programs)
- Continued minimization of leased space for district purposes
- Restructure and right-size District Central Offices to align with new District priorities and budget
- Re-design of Transportation
- Consider alternatives to current school week/days
- Review and thoughtfully consideration of labor-management practices, assumptions and contracts
- Work toward alignment of services with the City where possible
- Successfully upgrade current technology to meet the needs of 21st century schools.

He went on to review the budget timeline and milestones and then moved into a review of SPPS "at a glance" providing information on:

- The five-year trend in total enrollment which will continue to trend down for the near future.
- A Referendum Report noting the operating levy terminates at the end of FY 13 and that expenditures in 2010-11 will be very close to those of FY 09 and FY 10.
- The teacher student ratio has increased slightly and is expected to stay steady or increase slightly in FY 11.
- A review of District revenue and expense sources.

The Chief Business Officer then described the budget building process which starts with the FY 10 adopted budget. Expenses were projected to year-end and then anticipated revenue was calculated based on current law and projected enrollment. The difference between the projected revenue and expenses resulted in a projected shortfall of \$27.2 million for FY 11. This lead to finding the needed reductions in expenses and looking for revenue enhancements. The reduced allocation amounts were then distributed to all sites and budget administrators. The figures were compiled into the District proposed budget by fund and presented to the Board for discussion/approval.

He reviewed the budget assumptions (both revenue and expenditures) used in building the FY 11 General Fund budget. He then provided a detailed list of the actual FY 11 reductions that were made at the Board meetings of April 6 and April 20 which resulted in a total reduction of \$27,156,030.

The total FY 11 proposed budget (expenditures) is \$623.8 million. This is broken out into the following funds (figures depicted in millions): \$455.9 General Fund; \$57.6 General Fund Fully Financed; \$22.8 Food Services; \$19.4 Community Services; \$2.8 Community Service Fully Financed; \$26.0 Building Construction and \$39.3 Debt Service. The Chief Business Officer then provided various charts showing the five-year trend in:

- The General Fund to Total Fund
- Total General Fund/Fund Balance
- Projected FY 11 Revenue and Expenditures All Funds
- The Fully Financed Fund
- The Food Service Fund
- The Community Service Fund
- The CS Fully Financed
- The Construction Fund

- The Debt Service Fund

He then proceeded to discuss school allocations noting that changes occurred due to fluctuations in enrollment, demographics and ARRA funding, in viability factors, centralizing IT field support services and funding reductions to sites to balance the budget. Viability levels per pupil are: Elementary \$4,900, Middle Schools \$4,500 and \$4,000 for high schools. He reviewed the changes in allocations from FY 10 to FY 11 and reviewed major funding sources and other major resources.

A review was provided of the various categories of the centrally funded budgets. Meeting participants were reminded centrally funded budgets are NOT central administration budgets. Overall centrally funded budgets have been reduced by .6% or \$1.4 million. The area with the largest budget decrease was sites and buildings. The largest budget increase was to fiscal and other fixed costs (i.e., health benefits, etc.). The reallocation of resources was based on the Superintendent's organizational changes.

QUESTIONS/DISCUSSION:

- Appreciation was expressed on how the budget was presented making it more comprehensible both in theory and in detail.
- The comment was made the budget follows, it does not lead, leadership comes from all the District is trying to achieve around the strategic plan, the mission, the vision and the goals. The budget reflects decisions made by administration and the Board.
- The viability number (page 15, slide 29) – is this revenue or expenses, how does it total up to yield what? Response: When the initial budget is prepared, the calculations are done for each school and then that is reviewed against the viability standard. It is expenditures (when allocations are issued they are what the expected expenditure is to be minus the carryover at the rates of 15, 20 and 25.) It is based off of enrollment and projected enrollment. A school must be kept viable if it is opened and operated. The viability number is applied against the enrollment per pupil in all schools and by component.
- So, the viability number is basically an expected expenditure/pupil at different levels for schools plus other supplemental funds which is why the number per pupil is significantly higher than those numbers? Response: This is General Fund, this applies only to the general fund and is based on enrollment demographics so there are other aspects beyond that.
- Slide 31, page 16, what is a "school shortfall reduction"? Response: That is internal control nomenclature. Part of the shortfall mitigation was a \$10 million reduction to the schools. There are reductions embedded in the enrollment, in the comp ed and the referendum. Whatever the delta was is the additional reduction taken from the schools.
- Slide 16 and 17 – what were the additional \$600,000 in reductions? Response: After administration reviewed all changes agreed upon at the Board meetings, the numbers were brought within tolerance within those changes. It was basically recalculating along with some slight additional reductions until the actual figure of \$27,156,030 was reached. The numbers were actually much closer than staff thought at the meetings.
- Will the numbers stay if community proposals are used to address some of the cost reductions (i.e. pool closures)? Response: Yes, the recommendation the Board approved was the closure of four pools. All the high school pools were kept open to provide equity. At this point there is no way of knowing if the community proposals/money will actually materialize and, if it was found within the school budget, what other things will students lose? The issue is equity and how an item will ensure closure of the achievement gap. The proposals are not concrete enough at this point to take the risk.
- If it is shown the numbers will work, the numbers shown in the reductions will still remain to show the real life reductions? Yes.
- A Board member commented, when the Board approves the budget the pools are not discussed in that. Pools are not in the approved budget they are one of the pieces that got the process to the budget number. However, there remain opportunities throughout

the year to address other issues around cuts. The Board needs to stay out of the pool issue and take administration at their word that they will continue to explore options while at the same time protect academic achievement which is of primary importance. There is a need to be very careful about how these issues are communicated.

MOTION: Ms. Street-Stewart moved, Ms. Carroll seconded, the Board of Education move forward the FY 11 budget totaling \$623.8.

DISCUSSION ON THE MOTION:

- A Board member stated the Board is moving forward with a budget amount as expected/required of the Board, there will continue to be other factors that will be incorporated and that is an administrative responsibility. The expectation of receiving a balanced budget has been achieved and should address many of the issues that continue to emerge from public discussions and will remain within the long range goals established. The Board's fiduciary responsibility has been met.
- Another Board member stated the reason he had brought community proposals into the discussion, is the importance of being sure the District remains sensitive to the community because the one factor that affects the budget more than anything is student numbers. So anything the District can do to meet expectations, remain open to community input and keep students in the district is to the District's advantage.
- The Superintendent stated she is interested in creative ideas and finding sources of funding to provide a better education for the district's students. She stated she wanted to ensure for the sake of the schools and staff that the budget be approved so they can move forward. Because of the budget cuts, there are people who are still waiting for a decision and administration needs to move forward so those decisions can be made with the least impact to individuals and in a respectful manner to provide good transitions. Then, the District can begin to work on other issues. She stated the St. Paul Public Schools Foundation is establishing funds aimed at arts and music and another for athletics if people are interested in supporting those areas.
- The community is quite engaged in finding as many alternatives as possible. However, the one most important thing with these efforts is that the numbers work. Regardless of how good the solution is if the numbers do not work the solution will not be viable. Secondly, given SPPS is an urban district with a wide variety of socio-economic status in its families, SPPS must be about providing equity and accessibility to all of its families so whatever is brought forward it must work for all of the district families.
- Administration was asked to organize a process/structure for receiving ideas from the community, particularly on the two big current challenges – music and the pools. The random input that is occurring right now is counterproductive and will not lead to good answers. These issues are not in the Board's purview but fall to administration. Cherokee needs to be organized through the principal along with administration. Music already has a structure in place. Point persons need to be identified along with parameters and rules for input and this needs to be made clear to everyone.

RESTATEMENT OF

MOTION: Ms. Street-Stewart moved, Ms. Carroll seconded, the Board of Education move forward the FY 11 budget totaling \$623.8 million.

Motion passed 5 in favor, 1 abstention (Hardy)

MOTION: Mr. Brodrick moved the meeting recess, Ms. Carroll seconded.

Motion passed.

The meeting recessed at 5:40 p.m.

The meeting reconvened at 9:19 p.m.

B. Discussion on Leasing or Sale of District Facilities

The Superintendent indicated SPPS has started to receive inquiries regarding the possible leasing of buildings. In order to have open, consistent discussions with potential lessees, Operations has developed a list of *Considerations Regarding the Leasing of District Buildings*. Leasing costs for the buildings are estimated to be in the area of \$15.50 to \$18.00 per square foot of floor space. This would include the ongoing maintenance of the building (approximately \$8.00/sq. ft.).

The Interim Chief Operations Officer stated that Operations feels the sale of a building is a much better option than a lease though leasing is not out of the question. There are, however, parameters on leasing a publicly owned facility. The money collected must first be used to offset the cost to operate that building. The remainder can be used in one of three ways: to reduce the outstanding debt on that building, to reduce capital debt on other buildings and/or used for operating capital. The funds cannot be used for general fund purposes.

If the District is contemplating leasing, protecting the interests of the district becomes a paramount concern. To this end Operations has developed a list of *Considerations Regarding the Leasing of District Buildings*. The Interim COO went on to review the list of considerations.

He then discussed several inquiries which had been made to the District on various buildings and the pro's and con's of each. He indicated he was not allowing tours of the buildings until after school ends in June. Floor plans, site plans and the Facilities Condition Report have been provided to interested parties. He stated the District was only interested in leasing a full building as leasing a portion was not economically feasible besides creating a host of other problems. The District would need to make any building leased "lease ready." Management of the leased property would be another issue that poses difficulties for the district. Any lease would need to comply with zoning regulations pertinent to the building/site. The District is in uncharted territory when it comes to leasing property.

QUESTIONS/DISCUSSION:

- Concern was expressed about the perception of the community if the District leaves buildings empty in light of having interested parties.
- A reminder was made to the group that the action taken on the buildings was to "temporarily close the buildings for up to three years."
- Concern was expressed about doing anything with the buildings without having a discussion with the community regarding the future use of the buildings.
- It was suggested that site governed school options might be pursued with some of these buildings.
- It was suggested any move to lease or sell be delayed until the school choice discussion has been conducted
- Certain commitments were made about what the District would do with the buildings, it was a temporary closure for from 1-3 years. Discussion has not been implemented on various options for future usage for buildings.
- Housing was mentioned as a option for some of the buildings through CDC organizations.
- The Superintendent stated she was hearing that the Board was not comfortable in moving forward on a fast track to lease the buildings and suggested language be developed to put forth the Board's position.
- It was noted that Minneapolis has had experience in this area and it would be beneficial to see what SPPS can learn from them regarding the community engagement process and how the business end of things is handled. It was stated Minneapolis employs two FTE's just to manage their leased facilities. Their lease rate is between \$12 to \$13. They conducted an extensive community engagement

process. Their quickest turnaround on a lease is six to nine months. They did lay out some promises to the community about what they would or would not do.

- St. Paul's methodical process seems to work well and has been noticed because the groundwork was done so well.
- Part of the conversation on co-locating schools this year was the viability of schools of a certain size and these buildings fell below the viability line. If the buildings will not work for SPPS then the District needs to move forward toward some option relative to them. There seems to be a sense that SPPS knows where it is going so it needs to move on and pursue that.
- It was suggested the *Considerations Regarding the Leasing of District Buildings* be run by someone who has experience in leasing buildings for input on the document. BOMA was suggested.
- The process should be an intentional process.
- It was stated the school choice discussions should come first followed, within the parameters of school choice, by community engagement. Then potential disposition of the buildings (if any) can take place. School Choice has to come first.
- The District is committed to the community engagement process and school choice. It does not seem to be prepared to move on a short timeline but possibly within a year's time.

The Board stated it desired to slow down the process and move it forward in a deliberate fashion commencing with the school choice discussion followed by discussion with the community. This may result in some buildings being available for lease or sale. It is necessary to pursue what is in the best interest of the district.

C. Work Session

1. **Discussion on Extending Deadline for BFAC and CEAC**

The consensus was to extend the deadline for applications for BFAC and CEAC for one month to June 30. Administration was encouraged to promote the committees in the manner described within the BFAC/CEAC Process document. Exploration should also be made into Facebook and Twitter.

2. **Scheduling of Summer Board Meetings**

MOTION: Mr. Hardy moved the August 3 COB meeting be cancelled. Motion seconded by Ms. Carroll.

Motion Passed.

The consensus of the Board was to cancel the July 20 Board meeting and move it to follow the July 13 COB meeting.

MOTION: Ms. Carroll moved, seconded by Mr. Hardy, that the July 20 Board meeting be cancelled and rescheduled to follow the COB meeting on July 13.

Motion Passed.

3. **Other Items**

- Director Carroll requested the Mandarin Chinese response be forwarded again.
- Director Carroll and O'Connell expressed interest in participating in the Site Governance School Committee.
- Director O'Connell described some of the collaborative efforts which are in process with the City through the Mayor's Educational Leadership Team. The Board requested they be kept updated on this committee.
- The Superintendent requested a copy of the BFAC/CEAC Process document.

III. **ADJOURNMENT**

MOTION: Ms. Carroll moved the meeting adjourn. Motion seconded by Ms. Varro.
Motion passed

The meeting adjourned at 10:32 p.m.

Respectfully submitted,

Marilyn Polsfuss
Assistant Clerk/Secretary to the Board