

**MEETING MINUTES  
COMMITTEE OF THE BOARD  
February 10, 2009**

PRESENT: Board of Education: Elona Street-Stewart, John Brodrick, Tom Conlon, Tom Goldstein, Anne Carroll, Keith Hardy

Absent: Kazoua Kong-Thao  
Mr. Conlon left the meeting at 6:30 p.m.

Staff: Superintendent Carstarphen, Valeria Silva, Joe Raasch, Jeremiah Ellis, Lois Rockney, Heidi Bernal, Kate Wilcox-Harris, Jabur Alsiddiqui, Michelle Walker, Christine Wroblewski, Michael Baumann, George Simon, Jim Engen, Hitesh Haria, Kevin Umidon, Kathy Brown, Nancy Stachel, Suzanne Kelly, Dennis Hale, Mary Catherine Ricker

Other: Emily Johns, Doug Belden, Al Oertwig

**I. CALL TO ORDER**

The chair, Ms. Street-Stewart, called the meeting to order at 4:45 p.m.

**II. AGENDA**

**1. Second Budget Revision for the 08-09 Budget**

Administration indicated two events had occurred since the fall revision to change revenue. The first is \$6.2 million in new grant awards to the district that must be added to the budget. The second is the recognition of \$.2 million in Adult Basic Education aid in the Community Services Fund due to unspent prior year aid. Total revenue increase for this revision is \$6,424,244.

Winter enrollment counts have been completed and student numbers at schools are down by 265 students. School allocations have been revised accordingly and are reflected in a revision to expenditures. No budget adjustment to revenue is requested for this decline because fund balance was set aside in September when enrollments were down; this will replace lost revenue. The increase in expenditure for the fully financed budget for this revision is \$6,091,139.

**MOTION: Mr. Brodrick moved that the Committee of the Board recommend the Board of Education approve the revisions to the budget for fiscal year 2008-09 as detailed in Exhibit A in the Board materials provided. The motion was seconded by Mr. Conlon.**

**Motion passed**

**QUESTIONS/DISCUSSION**

- An explanation of specific enrollment decreases was requested. It was indicated there was a total decrease of 365 in secondary grades but a gain of 100 students in elementary grades for the net 265 decrease. The loss was primarily in high school enrollment. There are multiple reasons for the decrease: open enrollment, on-going competition from charter schools, and loss at secondary levels due to the baby boomer phase out.

Statistics indicate a slower decline as compared to previous years. Concern was expressed at the loss of students since September and a need to know why they are leaving. The Superintendent indicated that families who have left the system are being surveyed for reasons they left the district. Results of this survey will be provided to the board when it is completed.

- A request was made for the number of students who have dropped out.
- A request was made for a more comprehensive look at student losses such things as what categories they fall into, who is coming in, what can be done, what is being done and has anything the district has done caused numbers to be less than previously.
- ABE numbers – is the revenue an actual increase that can be used to address ABE services or is it just a cleaner number? The additional revenue is earmarked for the ABE program and it does give additional revenue but there are no specifics at this point on how it will be used.

## 2. Quarterly Financial Report

The Quarterly Financial Report for the district for the period ending December 31, 2008 reflects administration's projection of what the financial position of the District will be at June 30, 2009, taking into consideration all financial transactions that have occurred to date and projecting them to year end.

The non-general funds show minor fluctuations of revenue and expenditures, but no major change in position is anticipated. The General Fund projects revenue for the year will be down \$1.4 million from revised budget. This will be more than offset by a projected under expenditure in the General Fund of \$6.1 million. The revenue decline reflects changes driven mostly by enrollment decline and interest rate decline. The expenditure decline is mostly in non-salary budget areas.

Administration stated the undesignated, unreserved fund balance as of June 30, 2009 is projected to be \$27.8 million or 5.2% of the current year expenditures. This is well within the Board guidelines of 5%.

**MOTION: Ms. Carroll moved that the Committee of the Board recommend the Board of Education accept the Quarterly Financial Report as presented. Motion was seconded by Mr. Conlon.**

**Motion passed. (6 in favor)**

## QUESTIONS/DISCUSSION

- It was suggested the Board should, perhaps, have some discussion about reducing fund balance guidelines.
- A caution was made regarding school budgets coming in under what was anticipated and it was asked what mechanisms are in place for oversight on services provided by schools to ensure they are not cutting further than needed or too aggressively. The Superintendent indicated schools are encouraged to use the money in real time for the students. The Chief Business Officer stated there are accountants working directly with principals on their budgets and they look closely at what schools are spending money on and in what areas to insure everything required is there. There is a rigorous review process of the use of funds. The Chief of Schools stated the Executive Directors work with schools in the budget process looking at what demographics are and what the data is saying to plan the most strategic way to use funds. There is oversight from the start of the planning process. The combined oversight of the Business Office and the Executive Directors ensure all key elements are met and needs and data match up.

3. 2009-2010 Budget Priorities and Guidelines

Administration presented the Board with their recommendations on general guidelines, report formats and a proposed budget reduction solution for the projected budget shortfall and the structural deficit.

The Superintendent set the context of what would be presented. She indicated administration was bringing forward information and recommendations to guide short and long term decisions for the district. The short-term decisions would affect the budget for 2009-10 and the long-term decisions will affect large scale system changes as the District moves forward to right-size the system and change from business as usual to better serve students with far fewer resources. She stated the District must balance both short and long-term at the same time. It is administration's responsibility to clean up some past decisions while also setting the stage for the years to come.

The proposed Guidelines will be used to prepare budgets for 2009-10 for both schools and administration. The approval will allow allocations to be sent out to schools so they can begin to shape how the allocation will be used. The approval is the starting point and discussion/decisions on the budget will continue through to the June budget approval point. The Superintendent emphasized there will be community engagement sessions and opportunities for feedback provided for input during the budget process.

The Guidelines also include proposals for solutions for the \$25 million deficit shortfall the District is facing. The proposals were developed with both short-term and long-term in mind. \$10 million (40%) of the deficit must be resolved with permanent fixes to address the structural deficit the District is facing. The other 60% (\$15 million) are short-term solutions for the short-term conditions the District is facing. They call for sacrifices across the board. These decisions are about sustaining improvement in student achievement while closing the persistent achievement gap and raising bar for everyone. Other events which might impact the reduction solution include the Federal stimulus package; the State legislative session outcome, the economic crisis in the country and the student enrollment process in the spring. Input received between approval of the Guidelines and the budget approval in June will refine the budget shortfall solution. Additionally, the Board can revise the budget at any time.

The Superintendent turned the presentation over to the Controller to continue the discussion. He reviewed the agenda and the budget planning timeline. He reiterated the District is facing a projected shortfall of \$25 million with a structural deficit projected for at least the next four years which is driven by enrollment declines, the economic downturn and rising costs. He stressed the budget process incorporates the Board's adopted goals of high achievement, meaningful connections and a respectful environment.

The General Guidelines which shape the budget process included: base budget, budget structure, presentation format, enrollment, inflation, average salary and benefit calculation data, pupil funding formula, fund balance, budget calendar, fully financed programs, intra-school budgets, cost reductions and other resources allocated to the schools.

The Budget Reduction Guidance included:

- Equitable access to resources
- Compliance with all laws and regulations
- Resources to close the achievement gap
- Allocation on a direct student basis
- Targeting funds to meet student needs
- Retaining flexibility at school level.

Every expenditure is on the table with special consideration for:

- Automating business practices

- Changing site based policies for improved efficiencies
- Maximizing facility savings
- Monitoring integration expenditures
- Limiting consultants
- Maximizing saving to taxpayers
- Outsourcing transactional work
- Evaluating the use of professional development dollars
- Evaluating current School Choice system
- Exploring self-insuring for health insurance
- Evaluating use of textbook funds
- Maximizing efficiencies in transportation
- Evaluating the Valley Branch partnership.

The Controller indicated the Guidelines and Reduction Recommendations were proposed through the work of the Budget Assessment Committee. The charter of the committee was to analyze all programs for effectiveness; review key elements; discuss viable program size; identify additional efficiencies and identify the impact on schools if a program ceases. Their evaluation criteria for reductions included:

- Closing the achievement gap
- That cuts are legitimate cuts, not shifts
- That each investment was a forward investment
- That key elements were met
- That no law or regulation was violated
- That it preserved or increased enrollment
- That it honored the referendum content
- That key action items were addressed
- That the impact on special education was reviewed, and
- Whether the change was sustainable.

He then went on to review the proposed reduction breakdown areas and savings generated from them. There was in-depth line-by-line discussion of the proposals, both permanent and short-term. Other reduction areas which were considered but not brought forward into the recommendations for reductions were also presented. He again reviewed the potential future impacts on the budget shortfall which might come from the Federal stimulus package; the State legislature making direct cuts of education funding and/or making cost shifts; changes in economic conditions and changes in enrollment.

The Controller provided an overview of the Federal stimulus package to date along with the next steps as it moves forward toward completion. He provided a caution that until the package is actually approved there is no certainty as to what will become available to the District and that those monies will most likely be very targeted. He also noted the stimulus would be one time money for a two year period so the District must avoid creating permanent expenses based on stimulus monies.

Approval of the budget is expected by the Board in June, 2009. It was noted that a printed budget documents will no longer be prepared. Instead the District will post a comprehensive Adopted 2009-10 Budget on the Business Office website. The document will include:

- All information from the Proposed 2009-10 Budget updated to reflect all changes to the budget made in the adoption process
- One page of information for each school and program
- A link to the electronic Schools Comprehensive Improvement Plans of the schools.

MOTION: Ms Carroll moved, seconded by Mr. Brodrick, that the Committee of the Board recommend the Board of Education approve the Budget Priorities and Guidelines for the Development of the 2009-10 Budget.

#### QUESTIONS/DISCUSSION

- A question of clarification was asked on the motion as to whether it was concurrence with everything presented to the Board. The Superintendent responded that by approving the motion the Guidelines would become part of the parameters used in building the budget and that it would include the \$25 million reduction recommendation presented. There will continue to be community engagement around the Guidelines to obtain feedback from staff and the community. She indicated the Board is not locked into the numbers presented, administration is looking for feedback, questions, things the Board would like considered relative to the document; however by approving it, it becomes part of the guidance for beginning the work of building the budget.
- Concern was expressed regarding the reduction in the music area and in athletics which are things which directly impact the classroom and students. It was further suggested consideration of a regional approach to transportation be considered. It was stated arts and languages are always the first to be cut. More information was asked for on how sports reductions might be made.
- The Superintendent clarified that it is not the entire music program but only the itinerant music instructors which are part of the district funded budget. There will be a reduction in services but schools can still fund the services if they desire. She gave a quick overview of the strategic partnerships the District is developing and their commitment to a long-term relationship. She went on to state the ELL, special education and athletics reductions align to enrollment and reductions are based on enrollment reductions. Affected departments have been instructed to work out where and how reductions will be made.
- The Superintendent indicated that relative to transportation the District is being very liberal in recommendations based on the history of contracts coming in higher each year. Transportation is an important issue to many, many families in the district. The community needs to be given time to discuss transportation and choice issues over a period of time so this will, following discussions, trigger for the 2010-11 budget cycle.
- Concern was expressed relative to freezing COLA that not all employees will be asked to make the same sacrifice. Administration responded that legally, the District can only implement the freeze when a contract comes due; the District must honor contracts which are in place and make the freeze only when the contract comes up for consideration. The Superintendent stressed the freeze is for all staff including those who are not governed by contracts.
- It was asked what the impact would be if the Board fund balance requirement was reduced. Administration reviewed the history of the Board's policy requiring the reserve of 5% of the unreserved, undesignated general fund balance. The reserve is in place to address financial crisis situations. It is used in considerations by Moody's and Standard & Poor in providing ratings for district in its bond offerings. If the Board were to consider going below the 5%, they would need to have a plan in place as to how the fund would be built back up to the 5% over time. The current fund balance of \$27.8 is 5.2% of the unreserved, undesignated fund balance and has been set aside as legally required. The .2% has been incorporated into the reduction proposal. It was noted the fund balance in the budget book is higher than the 5.2% as there are some required set-asides for such things as retiree health insurance, encumbrances and severance pay.
- The question was asked whether, under School reductions, the student to teacher ratio will be maintained. Response: The District will work to honor class sizes.
- It was asked, as there are no set figures indicated for layoffs or what schools will be impacted, are there estimates? Administration indicated that related to the school reductions, there was a general agreement the deficit would be split 50/50 between central administration and the schools in the centrally funded budgets and district-wide

budgets. Administration doesn't yet know specifically what staff reductions at schools will be as site-based management will have an impact on those decisions. It is estimated that staff reductions will be approximately 4.5% or 265 positions across the district. The reductions will impact different schools differently as some schools are holding enrollment numbers while others are not. Reductions will impact secondary levels to a greater extent because enrollment there is reducing at a greater rate.

- A request was made for a later discussion on the COLA freeze and health insurance freeze relative to creating equity in pay systems between and within bargaining units. Can the District insure a commitment to equity?
- The question was asked how the budget process and proposed \$10 million school level reduction will affect site-based decision making. What is administration doing to support better more consistent decision making at site councils so decisions made at that level have the least impact on students. Also how can efficiencies be obtained by cooperation between and among site councils. Administration responded the Office of Professional Development is looking at this issue working to rethink the role in a way that does allow them to continue to provide input, guidance and doing some of the specialized work for schools. Administration is seeing a lot of opportunity for site councils to work together to do design work across sites that can't be done alone at one site.
- A request was made that information be provided about how these cross site efficiencies are progressing as information becomes available.
- Clarification was provided on what "outsourced transactional work" was.
- How do the school budget reductions relate to the facility and educational adequacy studies? Administration indicated the study provided one additional source of information within the considerations used to formulate the recommendations.
- A question was raised as to why the second elementary executive director and the Office of Innovation and Development were exempted from reductions? Administration responded that the sheer volume of elementary schools necessitates the positions and they are the only positions in the district that have a direct supervisory role, especially for evaluation and improvement, of principals. The Office of Innovation and Development is critical to the new partnership model, to foundation relationships, etc. and they bring in substantial funds through their work on grants.
- A director expressed a preference for seeing an increase in reductions to central administration and in transportation (within the economic downturn reductions), in preference to school reductions. He cited a CBFAC study on business office efficiency.
- It was asked whether, as the District looks to the schools to make the "draconian" cuts, adjustments will be made within the key elements. The Administration indicated there was a lot of discussion around this issue and it is still being shaped so recommendations are not yet ready to be brought forward. It was stressed that key elements should be very structured in this type of environment so schools are budgeting for what is needed and important.
- Another board member stressed the importance of the Board keeping to general overall principles and not micro-managing. The Board should trust administration has put together a plan for how best to move forward to administer these choices in the budgeting process.
- A question was asked whether programs have been identified which are not working and which will be eliminated? Administration responded, yes, some departments and programs are under consideration; some are embedded within proposed reductions already. Administration indicated they are looking for general guidance from the Board before triggering any decisions in this area. There is also the fact that some of this is a school-based decision except for the key elements. Administration is planning for improved efficiencies and practices. Administration strongly recommended holding firm on the structural reductions and indicated economic issues, such as the stimulus package, will impact the downturn reductions in some way.
- Choice and issues around that must be looked at. Administration indicated the discussion needs to begin in this area and will in the spring. Administration indicated

various groups are doing scenario development on large scale systems changes to understand what might happen under different scenarios. There has been a lot of really good work being done on developing ideas and costs in this area. These will be part of the discussion and engagement around choice which will occur before the budget process for 2010-11.

- A question was raised about the “Ideal day.” Administration stated it is a tiny piece of the conversation around teacher quality, the teaching experience, how to better support teachers so they can do their job. This includes many things: recruitment, retention, promotion, compensation, incentives.
- Administration indicated the partnership pieces are not reflected within the reduction considerations at this point. The partnership piece has great potential for the District.
- In looking at categories for cost savings and reductions, how can the impact on student achievement and energy efficiency/savings be tracked across the district? Long-term savings in energy savings – deployment of staff, travel, paper, electronics, buildings being more green, purchasing food locally where possible. Can significant improvements be made in the District’s carbon footprint? It is not only about money, but about the environment created for children and the academic community. Administration responded, yes. The operations area spills across many areas within the district; there are a lot of savings around efficiencies in this area. Over the past two years the district has reduced energy utilization by about 10%. There are also other programs in place for recycling equipment, paper and food.
- In the procurement aspects the Board would like to see information over time on how procurement has improved energy efficiency. Administration indicated it is in part a matter of utilizing technology better and working smarter.
- In anticipation of some improvement/change in NCLB, are some of the suggested reductions based on those? Administration responded no. What has been done around NCLB (parent choice, accountability, higher standards) is SPPS will complying with all obligations relative to all laws and regulations. NCLB was not a driving force in formulating the recommendations, it will be respected as necessary but the reductions are those which seem best for SPPS.
- It was noted the proposed budget guidelines and reduction recommendations are a product of an entire broad-based committee which conducted a comprehensive and inclusive process to arrive at the recommendations.
- A request was made for more information and elaboration on what is in place in terms of “music program” (something which currently sets the district apart); the bigger picture of music education, non-music art education; not the pieces that are enrollment based but the centrally controlled budget piece on “the arts.”
- When the economic stimulus comes in, the Board would like to hear if there is any back-filling. Where it would come in and what it would do so the Board has a deeper understanding that the big priorities set by the guidelines are being driven through.
- The Board was asked to keep in mind this process will culminate in June with approval of the budget. The process and product is open to review consistently and continually from now to June and could potentially also include Appendix 1, the other possible reduction considerations. And also, that the Board has oversight of the entire process.
- Clarification was requested on what was being approved. Response: the principles and guidelines are being approved. Once these are approved they then become part of the materials and allocations to schools so they can begin planning and structuring their budgets. It is a dynamic process and this action provides guidance so that planning and allocation process can begin and move forward at the schools and in departments.
- It was noted how important it was that everyone understand that this document, when approved, is not the absolute, final product. The Superintendent stressed to the news reporters in attendance the importance of making it clear in their articles that the process is dynamic and on-going until June and that there are four things which will potentially impact the budget process (stimulus package, state legislature, the economic conditions and enrollment).

- It was noted that it is important not to lose sight of the role of central administrators in ensuring oversight, alignment and equity.
- Administration indicated St. Paul is known as a district with very efficient centrally administered cost; it is the lowest in the State. If administration doesn't handle administration centrally the responsibility goes to schools.

Mr. Brodrick called the question.

**MOTION: Ms Carroll moved, seconded by Mr. Brodrick, that the Committee of the Board recommend the Board of Education approve the Budget Priorities and Guidelines for the Development of the 2009-10 Budget.**

**Motion passed (4 in favor, 1 opposed-Mr. Hardy)**

4. Large Scale System Change Criteria (including criteria for rightsizing and consolidation)  
 Working drafts of *Large Scale System Changes Guiding Principles for Decision-Making and Rightsizing/Consolidation Criteria* were presented for review and discussion. The draft principles have been used in thinking out some of the budget reductions already presented. The principles will help shape the "what" phase in which proposals will be developed, scenarios reviewed and options articulated.

The Chief Accountability Officer then presented the principles which had been developed to more effectively and efficiently deliver on the St. Paul Public Schools (SPPS) mission within large scale system changes. She indicated they will:

- Target services to areas that will make the most impact on student achievement
- Scale-up research-based, successful models
- Retain and/or expand high demand, successful programs
- Remove institutional barriers to student and staff success
- Align resources to district priorities
- Seek equitable distribution of programs and resources
- Provide sustainable solutions
- Build internal capacity
- Eliminate ineffective programs
- Meet local, state and federal accountability obligations
- Consider community and ancillary implications
- Include all schools, programs and systems regardless of funding source

And, as responsible stewards of the public trust, SPPS must ensure that, as the changes are implemented, it is careful not to:

- Exacerbate the achievement gap
- Increase racial isolation
- Perpetuate long-term enrollment decline
- Violate legal, contractual or grant rules
- Disproportionately impact particular segments of the community
- Create piecemeal or compartmentalized solutions.

The Chief Operations Officer stated rightsizing and consolidation are the terms used when referring to moving the district to an optimal size and merging programs. He stated the district, as noted in the previous presentation, does not have sufficient funds to provide essential programming and support services to ensure a premier education for all students while keeping every school open. Various options for rightsizing and consolidation are being explored:

- Closing buildings, closing programs
- Closing buildings, relocating whole/modified programs

- Merging programs
- Repurposing buildings

Staff went on to review the criteria utilized nationwide by districts considering rightsizing/consolidation and then presented the following criteria which will be used to determine rightsizing and consolidation of schools.

- Educational value/academic performance (programming and curriculum; AYP/test results and consideration of pipeline/gateways that impact first experience with schools)
- Facility condition (adaptability/flexibility; educational adequacy; physical plant; cost to upgrade; operating costs)
- School/district funding (cost of consolidations/rightsizing; potential salary/staff savings; savings for repurposing or moving out of leased space; operating costs; funding subsidies; possible legislative changes; cost of debt for current buildings; potential use and earnings possibilities by external groups/partners)
- Enrollment/Trends (long and short-term enrollment impact; demographics; impact of desegregation rule; school boundaries; proximity to other schools/ geographical uniqueness; housing trends; proximity to other services and potential changes in the city.)
- Other Considerations (other community investments in the area and SPPS investment)

A brief review of the history of rightsizing and consolidations within SPPS was provided. A glossary was provided to ensure everyone was utilizing the same definition for terms when discussing this issue.

The Chief Community Relations Officer then outlined opportunities for engagement for SPPS now the budget and large scale system changes are moving forward. A draft of proposed public engagement opportunities was provided to the Board for their information. She indicated the District is trying to balance engagement opportunities for staff, families and other community members while trying not to over burden them so the input and information provided makes sense to them.

#### QUESTIONS/DISCUSSION:

- The question was raised whether CBFAC and CEAC are included as a part of the engagement process? Staff responded that all existing committees will be utilized for input and discussion in addition to the scheduled engagement sessions.
- The Superintendent was asked if there would be a parallel web input processes – the response was yes.
- Administration was asked to consider pulling all committee and engagement processes together and providing that to the public so they can see there are many and varied ways to intersect with the decision-making process on the budget and large scale system change.
- The Board stressed the continued sharing of information in the best way possible especially with the public.
- A Board member suggested administration and the Board consider the possibility of reshuffling and coming up with a district that looks different from the way it looks now. Think about making some real changes which would provide a truer set of choices for kids especially at the secondary level and provide better equity among schools. The Superintendent stated that large scale systems change is the overarching umbrella under which the district will evolve and change to achieve the optimal results; it is about the entire system and how it will change.
- A request was made with regard to the “high demand and successful programs,” administration was asked to better define what comprises “successful” and for whom.
- Under enrollment trends there is a statement about “demographics and population overlay.” Is administration looking at how those projections are shaping up over the next couple generations (in the long-term)? The District can project but it cannot control

where families will be so maintaining flexibility as decisions are made is critically important so the potential for change is available in the future as well as now.

- Gateways, the first contact points with the district. When children enter the school district as part of a category that is already defined as “in poverty,” what is the long-term impact of the pathway for those children as they move forward? What does the articulation throughout the district say about the need of the school, the kind of program offerings available, who is excluded or included in the second and third year as they move on? Will they experience a diversity of program accessibility and opportunity in the district and how can that be ensured? This is particularly important with small demographic groups; there are many forms of isolation and that is one. As the District works on rightsizing it needs to keep in focus authentic diversity at multiple levels and the gains or losses related to that.
- The question was asked where the principles came from. The Chief Community Relations Officer stated many of them came from engagement sessions. Such things as eliminate the impact of programs, consider community and ancillary implications, make things which are working well more available.
- Staff was asked to go back over the presentation to the board on public engagement results and highlight where community input correlates with guiding principles. The Board wants the public to know that the District is actually listening to them.

**MOTION:** Ms. Carroll moved that the Committee of the Board recommend the Board receive the report on *Large Scale System Changes Guiding Principles for Decision-Making and Rightsizing/Consolidation Criteria* with the changes discussed. Motion seconded by Mr. Brodrick.

**Motion passed. (5 in favor, 0 opposed)**

5. Standing Item: School and Program Changes Update  
There was no presentation to be made.
6. Standing Item: Policy Update  
There was no presentation to be made.

With regard to items 5 and 6, staff was instructed to make it clearer on the agenda if no report is to be presented.

The Policy Work Group was instructed to check through current policies and bring forward any policies which might impact rightsizing and large scale system change.

### III. ADJOURNMENT

**MOTION:** Mr. Hardy moved the meeting adjourn, seconded by Ms. Carroll.

**Motion passed.**

The meeting adjourned at 8:44 p.m.

Respectfully submitted,  
Marilyn Polsfuss  
Assistant Clerk