

**Spectrum High School Finance Committee Minutes**

Date: January 18, 2019  
 Scheduled Time: 9:00 a.m.

<b>Position</b>	<b>Committee Member</b>	<b>Attendance</b>
Kathy Reed	Board Treasurer	Present
Annalise Marberg	Parent Committee Member	Present
Nick Taintor	BerganKDV/Financial Advisor	Present
Dan DeBruyn	Executive Director	Present
Dawn Sorenson	Exec. Asst.	Present

**I. Call to Order**

The meeting was called to order at 9:05 a.m.

**II. Old Business**

None

**III. On-Going Business.**

A. 2018-2019 Finance Committee Goals

- **Develop an all-encompassing Fundraising Policy/Separate 501(c)(3) entity.**

Mr. DeBruyn stated that the Committee would be receiving an update on the separate 501(c)(3) organization later in the meeting.

- **In concert with BerganKDV, work to maximize investment income as an additional and ongoing revenue stream for the School.**

Mr. Taintor shared that the Committee would be reviewing this item later on in the agenda.

**IV. New Business**

**A. Welcome to Annalise Marberg**

The Committee welcomed Ms. Marberg as a parent member of the Finance Committee. Ms. Marberg provided a brief introduction, sharing that she brings with her significant financial regulatory experience, which will be of benefit to the Committee and the School. Welcome, Annalise!

**B. December Financials**

Mr. Taintor reported on the December financials. He provided extra detail and explanation as he helped to educate Ms. Marberg on the unique qualities of charter school funding, which is a hybrid of government and non-profit financing. Ms. Marberg inquired throughout the presentation for the purpose of gaining insight and understanding. Mr. Taintor encouraged Ms. Marberg to contact him following the meeting for any additional questions she may have.

Mr. Taintor shared the Executive Summary of the December, 2018 financials. He also shared that the 2018-2019 working budget currently projects an annual deficit (expenditures to exceed revenues) in all funds in the amount of \$75,442. Note that this is mostly due to funds allocated in FY18 and spent in FY19 in addition to

increased cost for PSEO. Mr. DeBruyn shared that he will be working with Mr. Taintor on a revised budget for the Committee to review at their February meeting. Mr. DeBruyn shared that he is confident that there is room within the budget to present a balanced budget. The Committee briefly discussed PSEO noting that it is an extremely difficult item to budget for as there are so many variables that need to be considered. As the school has grown, the number of PSEO students has increased. The school and the Finance Committee continue to watch this item carefully in an effort to come in closer to the budgeted amount.

Mr. Taintor went on to share that the School is currently budgeting 740 Average Daily Membership (ADM). Actual ADM as of January 2, 2019, is 741, which includes full time PSEO students attending other institutions for which the School does not get reimbursed from the State. Overall, the School is right on track with 47.4% of expenditures spent year to date, as compared to 50% of the fiscal year completed.

The beginning balances shown on the Balance Sheet are based on the audited ending information as of June 30, 2018. Due from the Building Company, in the amount of \$314,086, represents funds that have been paid for by the School on behalf of the Building Company. A portion of this will be paid back to the School this fiscal year and an update will be made available in the spring. Mr. Taintor explained in detail how building companies and lease aid work for charter schools.

Mr. Taintor also shared that the State holdback for 2018-2019 fiscal year is estimated to be a receivable of \$917,307 at the time of the report. The holdback amount is approximately 10% of total state aids, as well as an additional receivable for lease aid. Lease aid will be paid retroactive from July 1 once approved by the Minnesota Department of Education. The remaining holdback amount will be paid back to the School in fiscal year 2020.

Mr. Taintor went on to report on the Statement of Revenue and Expenditures. He shared that the report shows the original budget approved, the working budget, and year to date activity. Per his review, the following is worth noting:

- There is another round of the expansion grant that continues into FY19. This resulted in an additional revenue and expense of \$225,000 and no impact to the annual surplus.
- The REAP grant was carried over from the previous year. This resulted in an additional revenue and expenditure of over \$50,000 and there was no impact to the annual surplus.
- The School did not spend any of the allotted budget for capital improvements that were budgeted in FY18. The College & Career Center started construction in FY19 and the School will recognize these expenditures in FY19. This resulted in an additional \$50,000 of expenditures, which decreased the surplus by that same amount.
- Contracted services is high for this time of year due to the \$135,515 payment made for PSEO classes taken by students attending other colleges and universities. School leadership will be looking into this program in more detail, and an update has been made to the budget to project the additional cost.

Following discussion, the Committee recommends approval of the December financials as presented.

### **C. December Management Report**

The Committee reviewed the December Management Report. There was no gap in check sequencing noted. Since manual checks are often the reason for gaps in check sequence, Mr. Taintor made a note to include a manual check report in the future.

Following discussion, the Committee recommends approval of the December Management Report by the Board as presented.

**D. December Contracted Services Report**

The Committee reviewed the November Contracted Services Report. With the exception of the Concurrent Enrollment/PSEO line, there was nothing of significance to report.

**E. December Food Service Report**

The Committee reviewed the December Food Service Report. Mr. DeBruyn shared that, while most districts run a deficit in their food program, he would prefer that Food Service not run a deficit budget. Spectrum continues to seek cost saving and revenue raising options. The School's general fund covers the deficit and will most likely end the year with an approximate \$6,000-\$8,000 loss in this area.

**F. Revised FY19 Long Range Budget**

Mr. Taintor shared a preliminary revised FY19 Long Range Budget for the Committee's consideration. It was noted that it is not yet ready to be presented to the Board for consideration of approval. It is anticipated that it will be ready for consideration at the February meetings of the Finance Committee and Board of Directors.

**G. Friends of Spectrum, Inc. 501(c)(3) Update**

Mr. DeBruyn provided a brief overview of the purpose and reasoning behind having a separate fundraising organization. He noted that at the December meeting of the Spectrum Board of Directors, they approved the draft Articles of Incorporation and Bylaws as presented. He went on to share the next steps in the process, to develop and present a slate of potential board members of the Friends of Spectrum, Inc. (FoSI) to the Spectrum Board for consideration of approval. Once complete, the FoSI Board may begin meeting to develop policies and procedures for the organization. Mr. DeBruyn asked the Committee to consider and forward any suggestions of individuals they know that may be interested in serving on the FoSI Board.

**H. Teacher Salary Analysis Update**

Mr. DeBruyn shared the results of the analysis that has been done regarding teacher salaries. He stated that the Big Lake school district is most similar to Spectrum in terms of size, although even they are 4.5 times larger. When compared, on average, Spectrum's teacher pay is 92% of Big Lake's; however, there is a range between 70% and 114% when compared individually by teacher. The initial goal of the analysis is address anomalies within teacher pay across the school – meaning those who fall below a certain pay range percentage when compared to others within the school.

The initial goal will be to ensure all Spectrum teachers are paid no lower than 90% of the Big Lake district up to \$60,000 annually. Through the analysis, 16 teachers have been identified who are below the 90% threshold and will receive an increase in salary (in two steps). First, they will receive an increase of half the difference during second semester of FY19 (ranging between \$150 and \$3,400), depending upon where they fall in relation to the 90% of Big Lake. The total impact to Spectrum's general budget for FY19 will be just under \$40,000. Then, in FY20, a second same amount increase will be given to bring the affected salaries within the 90% pay range.

Mr. DeBruyn stated that the next step in the process is to develop an overall salary matrix to identify starting salaries for teachers being hired at Spectrum. He will be contacting all teachers in January on an individual basis to inform them of how their salary compares to Big Lake, and if needed, how their salary will increase.

**I. Spectrum Cash Management Procedures**

The Committee reviewed the draft Cash Management Procedures as proposed by Mr. Taintor in relationship to opening an account with Charles Schwab to take advantage of the earnings potential of utilizing treasury bills as an investment vehicle for the School. Following discussion, it was determined that, at the February meeting, the Committee would look at a proposed revised Financial Policy with the proposed Cash Management Procedures incorporated to make certain that they work in concert with one another. In

addition, Mr. Taintor will put together a list of rational as to why the Board should consider approval of treasury bills as an investment tool for the school. Mr. Taintor made note of the request and will present this information to the Committee as requested at the February meeting.

**J. Standard & Poor's and Investor Conference Call Update**

Mr. DeBruyn shared that the School had a recent annual call with bond investors, as well as with Standard & Poor's. He reported that both went very well. The School will be hearing back from S&P on Friday, January 25<sup>th</sup> regarding their decision on the School's bond rating. The School is currently rated at an investment grade of BBB- with a stable outlook.

**V. Previously Tabled Items**

None

**VI. Miscellaneous**

None

**VII. New Meeting Agenda Input – February 28, 2019 at 9:00 a.m.**

**VIII. Adjournment**

The meeting was adjourned at 11:00 a.m.

Respectfully submitted,  
Dawn Sorenson