

Spectrum High School Finance Committee Minutes

Date: February 22, 2019
 Scheduled Time: 9:00 a.m.

Position	Committee Member	Attendance
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 School is in need of a separate fundraising policy in an effort to put parameters in place and provide transparency and accountability for fundraising across the school. He hopes to have a draft for the Committee to review at its meeting in March.

- **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. January Financials

Mr. Taintor reported on the January financials, which are currently projecting an annual deficit (expenditures to exceed revenues) in all funds in the amount of \$75,442. This is mostly due to construction funds that were allocated in FY18 but not spent until FY19, in addition to the unforeseen increased cost for the PSEO program. Both Mr. Taintor and Mr. DeBruyn shared that they will be recommending adjusting other line items within the budget as part of the midyear revised budget..

Mr. DeBruyn then shared in detail regarding school enrollment for FY19 from a budget perspective. He noted that the FY19 budget was based originally on an Average Daily Membership (ADM) of 740 and it is anticipated that the School will end the year at 735 ADM. He then went on to state that enrollment fluctuates throughout the school year, but is most fluid at semester break. He reiterated that opportunities have been identified within the budget to reallocate funds between budget lines, which will mitigate the loss in enrollment. The strategy moving forward for the FY20 school year will be to overenroll in greater numbers, where available, which will assist the School in dealing with fluctuating enrollments.

Following discussion regarding enrollment, Mr. Taintor stated that all of the necessary paperwork has been submitted to MDE for lease aid reimbursement and is anticipating receiving the retroactive payment, back to July 1, no later than March 15th.

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 \$228,347, 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 also shared that the State holdback for 2018-2019 fiscal year is estimated to be a receivable of \$1,037,305 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 approved budget, 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 January financials as amended.

B. January Management Report

The Committee reviewed the January Management Report. There was a gap in check sequencing (between 201800192 and 201800195) noted and requested clarification. Bergan KDV verified that 193 and 194 were IRS wire transfers and provided the necessary documentation. Likewise, there was a gap noted between 201800208 and 201800210. Bergan KDV stated the following regarding the missing 201800209: “Yes, 209 was skipped. This is due to the way the system advances to the next wire number if work is being done on bank activity. It will advance the wire number if a W is not utilized as a placeholder, which was accidentally not done and therefore 209 was skipped.” Bergan KDV will remain vigilant in its efforts to mitigate all sequencing issues. As an example, Bergan KDV is now producing a “Manual Check Sequence Report” to assist in identifying any sequencing issues.

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

C. January Contracted Services Report

The Committee reviewed the January Contracted Services Report. The Committee discussed and identified opportunities within budget lines for reallocation. For example, it was noted that the Building Contracted Services line item is currently over budget due in large part to costs associated with snow removal. Mr. Taintor will adjust funding of this line item as it is anticipated that the School will realize additional costs due to snow removal for the remaining winter months of the FY19 school year.

D. January Food Service Report

The Committee reviewed the January Food Service Report. Adjustments to budget will be made for the Food Services account as needed.

E. Revised FY19 Long Range Budget

Following an in-depth discussion on the January financials and the overall FY19 budget, Mr. Taintor will revise the budget as suggested by the Committee and will prepare it for consideration of approval by the full Board at its meeting on February 28th.

F. Draft Flex Time Donation Policy

Mr. DeBruyn presented a draft of a possible Flex Time Donation Policy. He noted that the School's HR Consultant does not recommend schools consider a donation account as for various legal reasons (e.g. potential of discrimination, data privacy, and alignment with FMLA, ADA, and internal leave policies).. As this practice has been allowed in previous years with no guidelines in place to ensure compliance with law, if the school is going to consider it moving forward, a policy needs to be put in place. The purpose of the policy is to provide employees the opportunity to assist another employee who is facing a personal, serious, illness or injury, or caring for an immediate family member who has a serious illness or injury as defined by the Family Medical Leave Act (FMLA). The policy would allow employees to donate accrued, unused flex time into the Flex Time Donation Fund. An employee would then have the opportunity to apply for use of donated flex time for use in the event the employee needs qualified time off that is not otherwise covered by existing flex time benefits.

The Committee went on to discuss the policy at length. It is anticipated that next steps would be to take the draft to staff for input prior to submitting it for consideration of approval by the full Board. Mr. DeBruyn will proceed with soliciting staff input and readying the draft for consideration of approval at a future Board meeting, as early as next week's meeting, if possible.

G. 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. It was noted that our current Finance Policy already allows for the school to utilize treasury bills as part of our investment strategy. Following discussion, Mr. Taintor will amend the document to read as requested by the Committee and it will be submitted for consideration of approval by the full Board at next week's meeting. In addition, the Committee recommends that the Board take formal action in approving opening a Charles Schwab account to capitalize on investment income through treasury bills. The Charles Schwab application will be submitted to the Board for consideration of approval.

H. Standard & Poor's Ratings Direct Report

Mr. DeBruyn and Mr. Taintor presented the report received from S&P regarding its recent review of the School. The Committee noted, as anticipated, that S&P Global Ratings revised its outlook on the School's 2017 A and B bonds from stable to negative, but affirmed its BBB- long-term rating. BBB- is one of the highest ratings being received by charter schools. Mr. Taintor shared that this change in outlook has no



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impact to the School nor to its investors. The report will be presented to the full Board at its meeting next week.

V. Previously Tabled Items

None

VI. Miscellaneous

None

VII. New Meeting Agenda Input – March 22, 2019 at 9:00 a.m.

VIII. Adjournment

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

Respectfully submitted,
Dawn Sorenson