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Administration Report as of January 25, 2016

Inspire Learning. Unlock Potential. **Empower Achievement.**

Strategic Goal #1: Student Achievement – Performance Measures

FAST (Formative Assessment System for Teachers)
MAP/NWEA (Measures of Academic Progress)
Iowa Assessments/Smarter Balanced Assessments
ACT (American College Test)
NGSS (Next Generation Science Standards)

Graduation rates
Retention rates
Summer School Success & Attendance
Iowa School Report Card

Next Steps/Strategy – Teaching & Learning/Curriculum

1. Ensure implementation of Iowa Core is done with fidelity at all grade levels/buildings
2. Prepare for anticipated 2016-17 implementation of Smarter Balanced Assessment
3. Pilot summer school program will be held June 2016
4. Prepare for anticipated 2016-17 implementation of Next Generation Science Standards
5. Prepare for anticipated implementation of Iowa School Report Card

UPDATES AS OF 1-25-2016:

1. **Smarter Balanced Assessments:** The administrative rules proposed by the State Board of Education (IAC 281.12) to implement the Smarter Balanced Assessments beginning in 2017 were put on hold on Friday, January 8th, when the proposed rules came up for a second review before the Legislature's Administrative Rules Review Committee. These reviews are a required part of administrative rules adoption. After raising questions about the State Board's legal authority to adopt a state accountability assessment, the committee voted unanimously in favor of a session delay on the proposed rules. A session delay means that the effective date of the rules implementing the Smarter Balanced Assessments will be delayed until the end of the 2016 legislative session, unless legislators take action on assessment during the session.
2. **Pilot Summer School Program Update:** We are making a change in our planning for the Early Literacy Implementation (ELI) Summer School planning. In the most recent update from the Department of Education, schools are going to be able to apply for a waiver to be exempt from offering summer school in 2017. This waiver would also allow schools to not have to retain students that year as well. It is our intention to apply for this waiver when it becomes available. If this waiver is approved, we will not be offering summer school until 2018. *Because of this change of guidance from the DE for 2017, and also due to recent budget conversations, we will not be offering summer school during the summer of 2016 as originally planned.*

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Strategic Goal #2: Learning Environments – Performance Measures

Student well-being data points (Gallup)

Safety/security evaluation

Architect evaluation tool

Facilities Plan (1-3 years)

Facilities Plan (10 year)

Technology evaluation/planning

Next Steps/Strategy – Facilities Planning & Preventative Maintenance

1. *Short-Term: Early Childhood/Preschool, Four Oaks/ATLAS, and use of current space and continued growth*
2. *Facilities Plan (1-3 years): establish a plan and form a boundary committee for current/future growth*
3. *Facilities Plan (10 years): establish a committee/funding structure for identified projects*

UPDATES AS OF 1-25-2016:

Short-Term:

1. **Aquatic Experience:** Bobby Kelley, Aquatic Center Manager, will be providing an update to the Board on Monday, January 25th. His report will be included in the packet of Board documents; Exhibit 501.1.
2. **Student well-being:** Student Gallup Poll results were shared with the Board on January 11th (Exhibit 701.2). The Gallup Poll was conducted with Linn-Mar's 5th, 7th, 9th and 10th graders. This poll measures Hope, Engagement, Entrepreneurial Aspirations, and Career and Financial Literacy. School counselors are analyzing their building data, setting a goal, and developing action steps around improving feelings of Hope and Engagement in our Linn-Mar students.

Facilities Plan 1-3 Years:

1. **Four major capital projects are slated to begin the spring of 2016;** Oak Ridge cafeteria expansion, High School kitchen remodel, Excelsior entrance renovation, and Westfield classroom addition. There will be public hearings for all of these projects at the February 8th board meeting and bids will be opened for all of these projects on March 3rd. Final approval of bids are scheduled for the March 7th Board meeting.

Next Steps/Strategy – Technology Planning

1. *Short-Term: Evaluate learning management system and security systems*
2. *Planning (1-3 years): Office 2016 rollout and extend fiber/high speed connection to remaining facilities*

UPDATES AS OF 1-25-2016:

No updates to report at this time!

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Strategic Goal #3: Staff Development – Performance Measures

Workers Compensation claim history
Teacher Leadership
Current/future professional development

Teacher Quality course offerings/participation
Affirmative Action Plan
Technology Survey (BrightBytes)

Next Steps/Strategy – Staff Development

1. Create a 3-5 year professional development plan
2. Workforce strategies

UPDATES AS OF 1-25-2016:

No updates to report at this time!

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Strategic Goal #4: Community Engagement – Performance Measures

Volunteer data	School Board visits
Communication survey data	Parent Universities
Dine Around sessions	Strategic Planning
Coffee Conversations	Website Development
Lunchtime Learning sessions	Participation in community coalitions
PTO visits	

Next Steps/Strategy – Community Engagement

1. Create a strategic plan
2. Enhance two-way communication with internal and external stakeholders
3. Updated website with emphasis on communication

UPDATES AS OF 1-25-2016:

1. **Strategic Plan:** The committee met January 14th. During the meeting, next steps were outlined which include:
 - The State of the District Address will be delivered on January 25th during the work session of the Board meeting in the Little Theater at the HS at 5:00 PM. A video of the address will be made available immediately following the live address.
 - A Board strategic planning retreat has been set for February 15th at 5:00 PM. The purpose of the planning retreat is to help set direction for the full, community engagement portion of the strategic planning process.
 - A technical kick-off team has been assembled and will meet after the Board strategic planning session in order to coordinate the messaging and technology aspects of the first community engagement phase.
 - The first community input phase will last for approximately 10 days. We have not identified dates for this to occur. The dates will be set during the technical kick-off meeting.
2. **Website Design Project Update:** Discovery sessions for website design and development were held on January 13th. The first session was held with various staff members and the second with community members. When our community session was asked what makes Linn-Mar special, the most common answer we heard was that people here are proud of our sense of community, that we take care of each other, our families and our students. Linn-Mar's traditions as a community have remained in place through significant growth - and keeping them in place is a priority. We heard that students are #1 - and that's obvious to both our staff and community. People like that our schools feel like families, yet they all realize they are a part of something bigger. They feel that connection because "We are Linn-Mar!" Other points of pride from the community session were that we have a good reputation for educating our students, we have first rate facilities and staff, and that our students are involved in extracurricular activities and have a lot of opportunities. Across the board, it was felt that even though we're now big and getting bigger, we still manage to keep that small town family feel and genuinely care for each other at Linn-Mar. We also discussed some of the ways to make our website function better, and were able to report back to both staff and community members that we are able to address all of the concerns

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through this project. In general, both staff and community are supportive of this project and what it will mean for students, staff, and our families. In addition, our vendor, Juicebox Interactive, was inspired from all they heard!

3. **Proposals for childcare providers** at Indian Creek, Bowman Woods, and Westfield were received on January 8th. The proposals will be reviewed and a recommendation will come to the Board in February.
4. **A quarterly meeting with PTO Treasurers** was held on January 20th. Advocacy information was shared with the group as well as best practice discussion and cracker barrel questions.

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Strategic Goal #5: Resources – Performance Measures

Prepare/operate General Fund that maintains 7% solvency ratio and unspent balance ratio

Prepare annual General Fund budget that includes a contingency reserve of 0.2% of budgeted expenditures

Develop a funding model and allocation of resources that supports strategic priorities

Comprehensive Annual Financial Report (CAFR)

Monthly financial reporting package

Next Steps/Strategy – Resources

1. Internal cost control (investments)
2. Plan for the future (resource investment)
3. Build deeper community partnerships

UPDATES AS OF 1-25-2016:

Plan for the Future (resource investments):

1. Refer to pages 8-15 of this report for information on FY2017 certified budget timeline and assumptions.
2. Property valuations for 2016-17 were released by the Linn County Auditor. The FY2017 budget taxable valuations are based on January 2015 assessments. For 2016-17, the total growth in valuation was 2.71%. This compares to the 10-year average total annual growth rate of 4.52%. Non-TIF taxable valuation growth was 2.34% and the TIF valuation growth was 11.44%. This compares to 10-year average growth rates of 4.3% and 16.54% respectively. *Note that approximately 70% of Linn-Mar's tax base is residential, 24% commercial and industrial, 2% agriculture, 3% multi-residential, and 1% other.*

Non-TIF Valuation = \$1,869,534,101

TIF Valuation = \$ 86,054,675

Total Valuation = \$1,955,588,776

3. Gov. Branstad announced a proposal to extend the sunset of the state penny for school infrastructure, the SAVE program, from its current sunset scheduled for Dec. 31, 2029, an additional 20 years through 2049. The proposal dedicates the first \$10 million of growth in the state penny sales tax revenue to the SAVE fund for school infrastructure. Any additional growth would be diverted as a dedicated funding source for water quality. The impact of this proposal on Linn-Mar depends on several variables (e.g. enrollment growth, sales tax growth, etc.), but a preliminary analysis shows that anywhere from \$17 million to \$90 million of SAVE funds could be diverted from Linn-Mar under the governor's proposal.

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Student Achievements and Honors:

- The Oak Ridge LEGO Blasters took first place for project innovation at the January 16th State LEGO League competition hosted at Iowa State University. Sixty teams from across Iowa competed at the event.
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LINN-MAR COMMUNITY SCHOOL DISTRICT FY2017 PRELIMINARY BUDGET DISCUSSION



Purposes of Certified Budget:

1. Establish a maximum tax rate
2. Establish an estimate of budget year expenditures

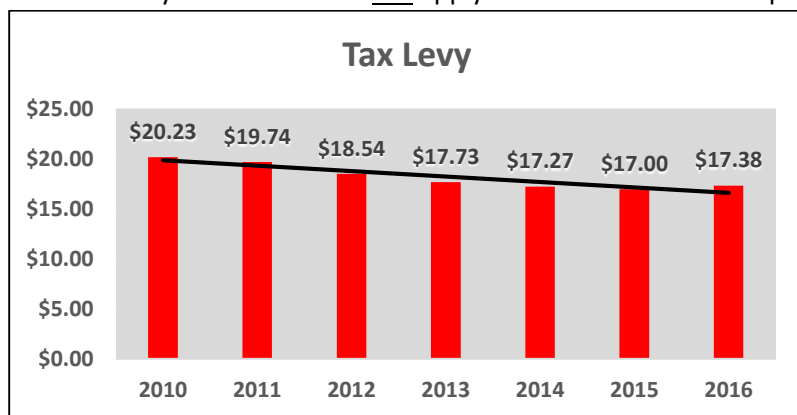
Tentative Process/Timeline:

- January 25, 2016 Report known budget variables and assumptions to Board
- February – March 2016 Development of budget; monitor legislative progress
- March 7, 2016 Scenario Budget Presentation and establishment of proposed budget hearing
- March 24, 2016 Publish proposed budget in Marion Times
- April 4, 2016 Public hearing, budget presentation, and board adoption of certified budget
- By April 15, 2016 File budget with the Iowa Department of Management and County Auditor

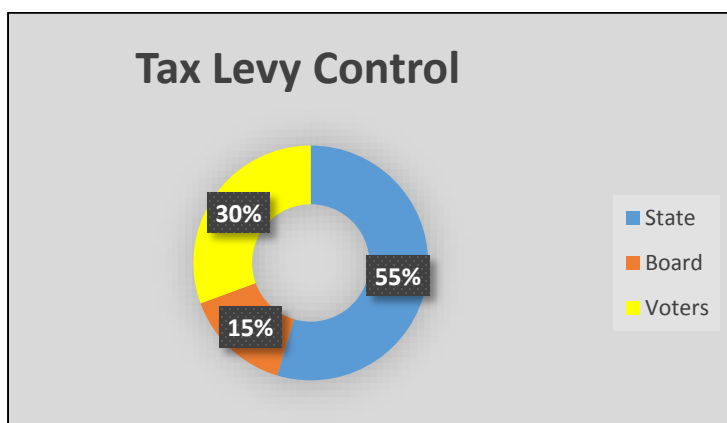
Budget Variables and Assumptions:

- 1. The District will be mindful of the property tax rate and the amount of tax support being asked from community patrons to support District programming.***

From 2009 to 2015 the tax levy rate steadily decreased, but inadequate state funding and low property valuation growth lead to a levy increase in 2016. The overall levy rate for FY2016 is at \$17.38 / \$1,000 assessed valuation. Statewide, the highest district tax rate for FY2016 is \$23.05 and the lowest is \$7.49 with a median tax rate for 335 Iowa schools in FY2016 of \$13.93. Note that approximately 80% of school districts in the State use some sort of income surtax, which reduces their overall tax levy. Linn-Mar does not apply an income surtax to its patrons.



The total tax levy is comprised of several different funds; General, Management, PPEL, PERL, and Debt Service. Although some people may assume that the Board has sole control of whether or not the tax levy increases or decreases, the reality is that this is not true. For example, the General Fund levy is primarily formula driven, which is controlled by the State of Iowa. Other levies such as PPEL and PERL were authorized by voters within the District. For FY2016 the tax levy control can be broken down as follows:



The taxation objective, when possible, is to keep rates stable for district patrons.

2. The District's property tax base growth has slowed as the District continues to be considered a "property poor" school district in Iowa.

The FY2017 budget taxable valuations are based upon January 2015 assessments. For FY2017 the total growth in valuation was 2.71%. This compares to the 10-year average total annual growth rate of 4.52%.

For FY2017 the Non-TIF taxable valuation growth was 2.34% and the TIF valuation growth was 11.44%. This compares to 10 year average growth rates of 4.3% and 16.54% respectively. The chart below summarizes the FY2017 valuations:

Budget Year	Non-TIF Taxable Valuation	TIF Valuation	Total Value
FY2016	\$1,826,748,984	\$77,223,158	\$1,903,972,142
FY2017	\$1,869,534,101	\$86,054,675	\$1,955,588,776
% Change	2.34%	11.44%	2.71%

The slowing of the District's tax base growth can be explained in part by the Property Tax Reform measures that the Iowa Legislature passed in 2013. From this legislation the commercial and industrial (C&I) property rollback decreased from 100% to 95% for the FY2015 budget, and decreased again from 95% to 90% for the FY2016 budget cycle. This rollback is expected to remain at the 90% level for FY2017 and future years.

Also, as part of the legislation a new multi-residential property classification was created whereby the property rollback decreased from 100% to 95% for the FY2015 budget and decreased again from 95% to 90% for the FY2016 budget cycle. For FY2017 the rollback for multi-residential property is 86.25%. This rollback will continue to decrease steadily over the next several years until it is equal to the residential rollback in FY2022.

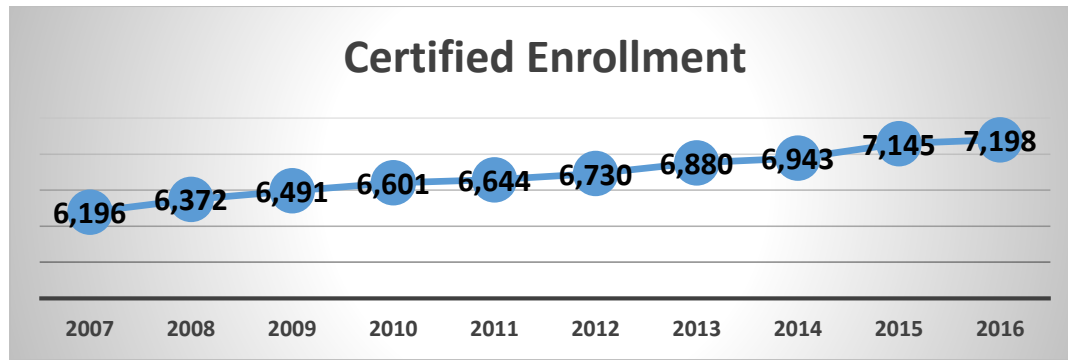
Although our overall tax base growth is slowing in the District, enacted tax increment financing property within the District is expanding. **The impact of the \$86 million TIF property on the District's overall tax levy is estimated at \$.15 - \$.25 per \$1,000 of valuation.**

For FY2016 Linn-Mar ranks 14th in the state for overall taxable valuation. However, on a per pupil basis we rank 262nd in the state with a valuation per pupil of \$274,229. The state median for taxable valuation per student is \$359,197. Because Linn-Mar is considered a property poor district, its general fund levy tends to be higher than average because it has to "work harder" to generate the same amount of funding as compared to a property rich district.

Therefore, a slow tax base growth in an already property poor district combined with increasing TIF enacted property will make it difficult to maintain a stable overall tax levy.

3. The Iowa school aid formula for K-12 schools primarily pupil driven. As a result, accurate annual enrollment projections are vital to the budgeting process.

Linn-Mar is fortunate to be a district that has experienced enrollment growth over the past several years. The chart below shows that over the last 10 years certified enrollment has grown by over 1,000 students.



In the past, the District has used resources such as the Iowa Department of Education and a demographer to assist in predicting future enrollment. Although these resources have been helpful to a certain extent, Linn-Mar enrollment has proven to be difficult to predict accurately. In order to prepare a five-year budget projection, it will be assumed that certified enrollment will grow by 75 students each year as follows:

Budget Year	2017	2018	2019	2020	2021	2022
Certified Enrollment	7,198	7,273	7,348	7,423	7,498	7,573

4. Supplemental state aid (formerly allowable growth) is legislatively set each year and is the primary source of revenue the District requires to deliver the educational program.

Growth in the District Regular Program District Cost, which is a function of student enrollment growth and state percent of growth, is a significant funding stream within the General Fund. By law the state percent of growth is to be set each January/February for the year following the current budget construction year. During the FY2015 legislative session the legislature failed to set the state percent of growth for the FY2017 budget year.

Recently the Iowa Legislative Services Agency released a preliminary summary of the Governor's FY2017 Budget Recommendations. This document specifies a 2.45% growth rate for FY2017. This compares to the FY2016 growth rate of 1.25%. It should be noted that state growth rates have been 2% or less four out of the last five years, which are some of the lowest growth rates on record since the school aid formula was introduced 45 years ago.

With enrollment growth of 53 students, the following increase in Regular Program District Cost can be projected depending on where the Legislature sets the state percent of growth:

State % of Growth	Linn-Mar Growth (%)	Linn-Mar Growth (\$)
0%	1.00%*	\$ 460,654
1%	1.74%	\$ 800,425
2%	2.75%	\$ 1,268,291
2.45%	3.21%	\$ 1,477,031
3%	3.75%	\$ 1,728,959
4%	4.77%	\$ 2,196,825

The Governor's recommendation is a starting point for the state percent of growth. Although the governor has challenged the legislature to agree on the school growth rate early in the session, it is likely that the FY2017 state percent of growth will not be known until later, and possibly even after school budgets have been certified. For the purpose of projecting the 5 year budget, the following parameters will be assumed:

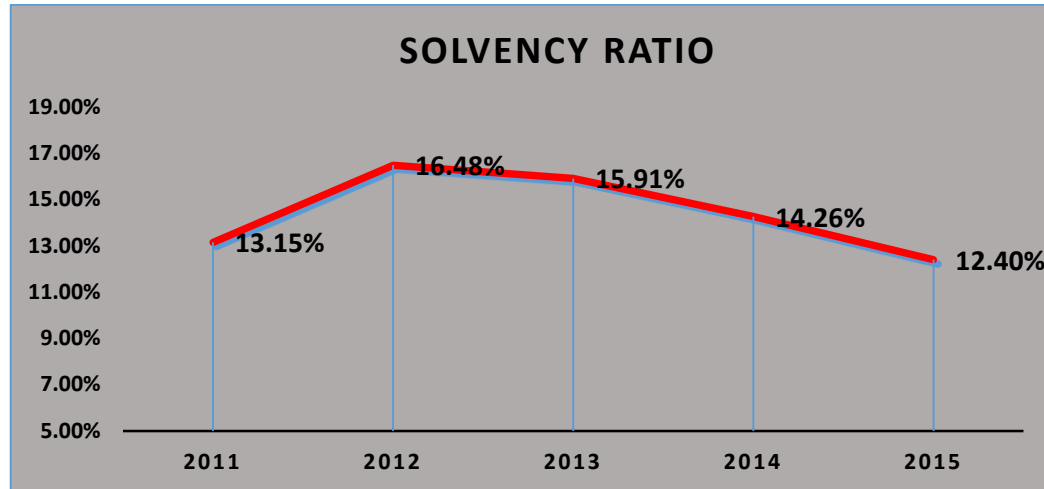
Fiscal Year	2017	2018	2019	2020	2021	2022
State Percent of Growth Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

- 5. The cash reserve levy will be used to backfill resources expended for certain unfunded mandates, under-funded mandates, and board approved allowable growth items. The cash reserve levy will also be used to ensure that General Fund cash reserves are equal to or exceed the financial metrics as stated in Board policy 801.4.**

The cash reserve levy, of which the Board controls, is divided into two parts. First, the SBRC cash reserve levy portion includes items that the Board has requested modified allowable growth (additional spending authority) and that the School Budget Review Committee has subsequently approved. Examples of these items include the special education deficit, ELL deficit, and on-time funding for enrollment growth. The table below shows the FY2016 SBRC cash reserve levy compared to the tentative FY2017 SBRC cash reserve levy:

	2016	2017	Difference
Special Education Deficit	\$ 1,683,857	\$ 2,016,574	\$ 332,717
ELL Deficit	\$ 155,759	\$ 165,746	\$ 9,987
Increasing Enrollment Growth	\$ 1,287,407	\$ 339,757	\$ (947,650)
Open Enrollment Out Growth	\$ -	\$ 551,296	\$ 551,296
Limited English Proficiency Growth	\$ 11,206	\$ 14,183	\$ 2,977
Total SBRC Cash Levy	\$ 3,138,229	\$ 3,087,556	\$ (50,673)

The other portion of the cash reserve levy is referred to as the regular or other cash reserve levy. This part of the levy is used to ensure the District's has an adequate cash reserve balance and helps to maintain an appropriate solvency ratio. Iowa Association of School Boards recommends a target solvency ratio of 5% - 15%. Our Board policy sets forth that the solvency ratio will not fall below 7%. The District's financial solvency ratio for the last five years is as follows:



6. *Expenditure categories within the General Fund are influenced by many factors including student growth pressure and market based inflationary trends.*

As is the case for any school district in Iowa, salaries and benefits costs are the single largest expense in the General Fund. Approximately 80% of the costs in our General Fund can be attributed to personnel. Such items that impact personnel costs are IPERS contribution rates, medical and other insurance renewal rates, and additional staffing due to enrollment growth. At Linn-mar, there are five bargaining groups that the District negotiates with; LMEA, SEIU, LMSEAA, bus drivers, and part-time nutrition services. On average, salaries and benefits have increased 4%- 4.5% annually over the last five years. Non-personnel expenditures (e.g. supplies, utilities, equipment, etc.) have increased about 3% annually over the last several years.

For budget projections, a 4% annual increase in salaries and benefits and a 3% increase in non-personnel expenditures will be used as assumptions.

7. Other District Tax Supported Funds:

- **Physical Plant and Equipment Levy (PPEL):**

On April 1, 2014 voters extended the voted PPEL 10-years (expires June 30, 2025). This \$1.34 levy combined with the board approved \$.33 PPEL levy (\$1.67 total) is expected to generate approximately \$3.2 million in FY2017.

Major expenditures from this fund in FY2017 include bus replacement purchases, Westfield classroom addition, Excelsior security entrance, PPEL note (from high school renovation) payment, and other preventative maintenance and equipment costs.

- **Public Education and Recreation Levy (PERL):**

This \$.135 levy is expected to generate approximately \$250,000 in FY2017.

Expenditures from this fund are expected to include a portion of the Westfield playground, other playgrounds maintenance, and a portion of Community Education staffing costs.

- **Sales Tax (LOST) Fund**

Based on the District's current certified enrollment of 7,197 and an estimate of \$953 per student (assumes no change from FY2016), the projected revenue for FY2017 is \$6.9 million. Approximately \$5.4 million of these funds are committed to principal and interest payments of outstanding revenue bonds. \$1 million of these funds are committed toward the District technology plan and the remaining \$500K will be used to buy down the Debt Service Levy.

- **Debt Service Fund**

It is anticipated that the District will have \$32,335,000 of outstanding general obligation debt as of June 30, 2016. For FY2017, it is projected that the District will need approximately \$4 million in taxes to service this amount. The debt service levy for FY2016 is \$1.99 and this levy is expected to be similar in FY2017.

- **Management Fund**

Primary expenditures from the Management Fund include property/liability insurance, workers compensation, unemployment costs, and early separation. The management fund tax levy for FY2016 is \$.55 and it is anticipated that this levy will be similar in FY2017.

Important Definitions:

- ✓ Maximum spending authority – the maximum amount authorized under the school funding formula for a school district to spend on its general fund budget for a fiscal year. It includes the sum of the combined district cost, pre-school funding, instructional support levy, educational improvement funds, miscellaneous income, modified allowable growth and prior year unspent balance. **Iowa Code §257.7.**
- ✓ Combined district cost – the major element of a school district's authorized spending authority. Primarily, it is determined by multiplying the district cost per pupil by the number of pupils in the school district, plus the special weightings for the district. It is funded by state foundation aid, the uniform levy, the additional levy, and supplemental state aid. It is often referred to as controlled budget. **Iowa Code§257.1,.4.**
- ✓ Unspent balance (also known as unspent authorized budget) – the amount of the maximum spending authority (maximum authorized budget) not expended during the fiscal year. This includes previous year's accumulation of unexpended total spending authority. It is a measure created by statute to determine if a school district has exceeded its total spending authority in a given fiscal year. It is an element of total maximum spending authority. **Iowa Code §257.7(1).**
- ✓ Solvency ratio – provides a picture at fiscal year-end of the financial health of a school district and represents the percent of the district's available funding. It is calculated by dividing the unassigned and assigned general fund balance by the general fund actual/total revenue of the school district for the fiscal year less the district's AEA flow-through funding.