

## **Regular School Board Meeting**

Duluth Public Schools, ISD 709

### Agenda

Tuesday, August 19, 2014

District Services Center

709 Portia Johnson Dr.

Duluth, MN 55811

6:30 PM

1. **Call to Order**
2. **Roll Call**
3. **Pledge of Allegiance**
4. **Approval of the Agenda**
5. **Reading and Approving Minutes**
  - A. Regular School Board Meeting - July 15, 2014 2
  - B. Special School Board Meeting - July 22, 2014 8
  - C. Special School Board Meeting / Executive (Closed) Session - July 29, 2014 21
6. **School and Community Recognition**
7. **Audience**
8. **Reading Communications, Petitions, Etc.** 24
9. **Report of the Superintendent**
  - A. Schedule of Meetings and Events 25
10. **Report of Standing Committees**
  - A. Education Committee (*see separate report*)
  - B. Human Resources Committee (*see separate report*)
  - C. Business Committee (*see separate report*)
11. **Special Resolutions - None**
12. **Questions / Other**
13. **Adjournment**

## Minutes of the Regular School Board Meeting

Of the School Board of Independent School District No. 709 held at the Historic Old Central High School, 215 North First Avenue East, Duluth, Minnesota 55802, on

Tuesday, July 15, 2014

### Members Present:

Annie Harala  
Art Johnston  
Rosie Loeffler-Kemp  
Mike Miernicki  
Judy Seliga Punyko  
Harry Welty  
Bill Westholm

### Others Present:

Laura Fredrickson  
Melinda Thibault, Secretary

### Student Representatives:

Kobi Tremble

➤ Chair Miernicki called the regular school board meeting of July 15, 2014 to order at 6:30 p.m., and the pledge of allegiance to the American flag was given.

**M-Westholm, S-Loeffler-Kemp, to approve the agenda as presented. Upon a vote on the agenda, the same was approved – unanimously.**

Chair Miernicki asked school board members if there were any corrections or changes to the minutes of the Regular School Board Meeting of June 17, 2014.

**M-Westholm, S-Harala, to approve the minutes of the June 17, 2014 Regular School Board Meeting as presented. Upon a vote, the same was approved as presented – unanimously.**

### School and Community Recognition

July 2014

\*\*\*\*

Tim Sworsky - Members of the Board, this month I'm pleased to present representatives from the ISD 709 Child Nutrition Department for recognition. A warm welcome to: Pam Bowe-Manager and Registered Dietitian, Sheila Oak-Area Supervisor, Betsy Sislo-Site Supervisor, Kathie Johnson-Cafe Manager Duluth East High School, Debbie Mckowski-Cafe Manager Ordean East, Liz Russell-Cafe Manager Lakewood, Jodi Puff-Summer Cafe Manager Lester Park, Patti Barber-Cafe Manager Laura Mac Arthur, Wendy Wakefield-Cafe Manager Stowe, Susan Geissler-Cafe Manager Lowell. Earlier this year, food service programs at Duluth East, Lakewood and Ordean East passed a rigorous Federal/State audit by the Minnesota Food and Nutrition Department. The ISD 709 Child Nutrition program also passed a Summer Audit and Review conducted by the US Department of Agriculture with flying colors. School district food service programs are regularly audited and must pass to remain part of the USDA food service program. The audits reviewed many areas including, but not limited to: Student applications, Daily business procedures in the kitchens, managers' office and Child Nutrition Main office, HACCP compliance, Health

Department Reports, Breakfast and lunch menu analysis (both nutritional and financial), ISD 709 Wellness policy, sanitation, daily meal counts, the monthly financial claim and special diets, The auditors were complimentary of the systems in place to serve appetizing meals to students within USDA/State regulations. Congratulations to our Child Nutrition Department and for all they do to support education!

**Public Comments**

**July 2014**

\*\*\*\*

James Youngman, 2026 East 4<sup>th</sup> Street, spoke to the School Board regarding his concern with the recent test scores and the need to use the referendum funds in the classroom. He also noted his concern with the investigation against Art Johnston.

Henry Banks, 719 West 4<sup>th</sup> Street, spoke to the School Board regarding salary information he requested for administrators salaries, and his concern with the infighting on the board.

Melanie Grune, 1818 Lakeview Drive, spoke to the School Board to thank them for their service and thanked them for reaffirming the civility project.

Loren Martell, 623 East 7<sup>th</sup> Street, spoke to the School Board to regarding his concern with board members.

**Communications, Petitions, Etc.**

**July 2014**

\*\*\*\*

Chair Miernicki stated the communications received.

**Superintendent's Report**

**July 2014**

Laura Fredrickson, Director of Special Services presented the Superintendents report:

- During the summer months, high schoolers are catching up on credits through seat-based classes or independent study. Elementary students who face challenges to academic success are taking part in the Excel program, funded by the Minnesota Department of Education. Community Education enrichment classes are offered for all ages at several school sites, teaching everything from computer basics to cooking, photography, arts & crafts, first aid, music and more.
- Students can learn a great deal in the outdoors as well, and the many parks throughout Duluth are a great place to spend time as a family.
- Free breakfast and lunch are available for children 18 and under at eight of our sites during the summer. There are no forms to fill out – students can just show up at Lester Park, Lowell, Myers Wilkins, Piedmont, Laura MacArthur, Stowe or Denfeld. Bag lunches are also available at the Lincoln Park Boys' & Girls' Club. Breakfast: 8:00AM to 10:30AM and Lunch: 11:30AM – 1:00PM

**Education Committee Report**

**July 2014**

\*\*\*\*

Member Harala presented the Education Committee report, a copy of same being in the hands of each school board member.

**M-Harala, S-Loeffler-Kemp, to approve the Education Committee Report.**

Chair Miernicki introduced Mike Cary, the new Curriculum Director, and expressed his excitement for the new social studies adoptions. Discussion took place regarding the new curriculum.

Member Johnston withheld Item 2.D. – Bullying Prohibition Policy to note that truancy is related to bullying. He stated that he would like to add a paragraph that would require a report will be given to the school board at the June regular meeting with a summary of bullying incidents. Discussion took place regarding the proposed addition.

**Upon a vote on the Education Committee, the same was approved – unanimously.**

**Human Resources Committee Report**

**July 2014**

\*\*\*\*

Member Welty presented the Human Resources Committee report, a copy of same being in the hands of each school board member.

**M-Welty, S-Johnston, to approve the Human Resource Committee report.**

Member Johnston withheld Items 2.A. and 2.B.

Member Johnston withheld Item 2.A. – Change in Rates for the Hourly-Substitute Pay Rate Sheet to ask if any individuals are covered by union representation and gave his support for the increases. Discussion took place regarding the increases.

Member Johnston withheld Item 2.B. – Policy Change to Policy 4015 Prohibiting Harassment, and Violence to request that there be language added to the policy that there will be an annual report of incidents given to board members, and additional language regarding an appeal process. The information will be forwarded to board members.

**Upon a vote, the same was approved – unanimously.**

**Business Committee Report**

**July 2014**

\*\*\*\*

Member Loeffler-Kemp presented the Business Committee report, a copy of same being in the hands of each school board member.

Member Loeffler-Kemp presented the resolution:

**R E S O L U T I O N**  
 Authorized Student Activity Bank Account Signer

RESOLVED, by the School Board of Independent School District No. 709, St.

Louis County, Minnesota, that it hereby authorizes the following:

District Building	Banking Institution	Account Number	Addition of Authorized Signer	Removal of Authorized Signer
Piedmont	DTCU	XXXXXX4	Jodi Keller	

B-7-14-3196

July 15, 2014

**M-Loeffler-Kemp, S-Harala, to approve Resolution B-7-14-3196 – Authorized Student Activity Account Signer. Upon a vote, the same was approved - unanimously.**

Member Loeffler-Kemp presented the resolution:

**R E S O L U T I O N**  
 Acceptance of Donations to Duluth Public Schools

WHEREAS, Minnesota Statute 465.03 requires a school district to accept donations by resolution expressed in the terms prescribed by the donor in full; and,

WHEREAS, acceptance of the donations in accordance with the donor’s terms is in the best interest of the Duluth Public Schools:

NOW, THEREFORE, BE IT RESOLVED that the Duluth Public Schools does accept the below-described donations from said organizations in accordance with the terms set forth herein.

BE IT FURTHER RESOLVED that the Duluth Public Schools wishes to extend its grateful appreciation to these various organizations.

SCHOOL	FIRST NAME	LAST NAME/ORGANIZATION	RESTRICTION	AMOUNT
District Wide		Duluth Art Institute	Art Program	2,565.50
Denfeld	Attn: Finance	FIRST	Denfeld Robotics	5,000.00
Lester Park		Lake Superior Steelhead Association	Lester Park School Forest	500.00
Ordean East Middle	Kari	Newmann Ness	Destination Imagination	50.00
Ordean East Middle	Sophia	Stalzer Wyant	Destination Imagination	50.00
Ordean East Middle	Ruth & Terry	Saar	Destination Imagination	25.00
Ordean East Middle		Duluth Plumbing Supplies	Destination Imagination	100.00
Ordean East Middle		Hanson House Co.	Destination Imagination	200.00
Ordean East Middle	Charles & Janice	Elliot	Destination Imagination	50.00
Ordean East Middle	Deann	Munson	Destination Imagination	100.00
HOCHS	Jeanne Mock	Kemps Kids in Need Foundation	Families In Transition Program	In Kind
			TOTAL	8,640.50

B-7-14-3197

July 15, 2014

**M-Loeffler-Kemp, S-Westholm, to approve Resolution B-7-14-3197 – Acceptance of Donations to Duluth Public Schools. Upon a vote, the same was approved - unanimously.**

Member Loeffler-Kemp presented the resolution:

Resolution Determining The Status Of School Board Members For Purposes Of  
The Minnesota Government Data Practices Act

WHEREAS, the Minnesota Court of Appeals and the Minnesota Department of Administration have held that the classification of data on elected officials depends upon whether the entity considers its elected officials to be employees for purposes of the Minnesota Government Data Practices Act (“MGDPA”);

WHEREAS, most data on individual “employees” of a school district are classified as personnel data pursuant to the MGDPA and, specifically, Minnesota Statutes section 13.43;

WHEREAS, the School Board has weighed various political, educational, and public accountability considerations in deciding whether its members should be considered to be employees for purposes of the MGDPA; and

WHEREAS, the School Board has determined that the public interest in transparency outweighs any competing privacy interest that individual Board members may have in regard to most data that the District maintains about individual Board members;

NOW, THEREFORE, BE IT RESOLVED by the School Board of Independent School District No. 709, Duluth, as follows:

1. Members of the School Board are not employees for purposes of the MGDPA, Minnesota Statutes chapter 13. Accordingly, data that the District maintains on School Board members are not subject to Minnesota Statutes section 13.43.
2. This Resolution does not impact the determination of whether School Board members are employees for purposes of other laws, including, but not limited to, any federal or state tax laws.
3. This Resolution does not alter the classification of protected data on elected officials, such as social security numbers, health data, or medical data, which are not subject to disclosure.

B-7-14-3198

July 15, 2014

**M-Loeffler-Kemp, S-Westholm, to approve Resolution B-7-14-3198 – Resolution Determining the Status of School Board Members for Purposes of the Minnesota Government Data Practices Act.**

Discussion took place regarding the resolution and proposed budget.

**M-Miernicki, S-Welty, to call the question. Upon a vote, the same was approved – unanimously.**

**Upon a vote on the resolution, the same was approved – unanimously.**

**M-Loeffler-Kemp, S-Harala, to approve the remainder of the Business Committee Report:**

Member Johnston withheld Item 4.A.2) – Workers’ Compensation and property Liability Insurance Policies and Premium Designation to note specifics within the coverage. Discussion took place regarding the item.

Member Harala withheld Item 6.D. – Facilities Management & Capital Project Status Report to ask where things are stored when a building is sold. Kerry Leider, Facilities Management Supervisor, explained where items are being stored and that there will be an auction of many stored items. Discussion took place regarding the loading dock repairs and repairs in the trusses at Lincoln Park Middle School.

**Upon a vote on the remainder of the Business Committee, the same was approved –  
unanimously.**

**Other**  
**July 2014**  
**\*\*\*\***

- Chair Miernicki adjourned the Regular School Board Meeting of July 15, 2014 at 8:06 p.m.

## Minutes of the Special School Board Meeting

8

Of the School Board of Independent School District No. 709 held at the Historic Old Central High School, 215 North First Avenue East, Duluth, Minnesota 55802, on

Tuesday, July 22, 2014

### Members Present:

Annie Harala  
Art Johnston  
Rosie Loeffler-Kemp  
Mike Miernicki  
Harry Welty  
Bill Westholm

### Others Present:

Bill Gronseth, Superintendent  
Bill Hanson, Deputy Clerk  
Sue Talerico, Secretary

### Members Excused:

Judy Seliga Punyko

- Chair Miernicki called the special school board meeting of July 22, 2014 to order at 4:30p.m.

The Office of the State Auditor representatives present were: Dianne Syverson, Audit Manager; Mark Kerr, Assistant Legal Counsel; and Lisa Young, Audit Staff Specialist.

Dianne Syverson provided a summary of the report as related to Independent School District 709's Comprehensive Long-range Facilities Plan.

Office of the State Auditor representatives took questions from School Board Members and provided answers and clarification.

- Chair Miernicki adjourned the Special School Board meeting of July 22, 2014 at 5:52 p.m.

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

---

**INDEPENDENT SCHOOL DISTRICT 709**

**PETITION ENGAGEMENT**

**COMPREHENSIVE LONG-RANGE FACILITIES PLAN**

## Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

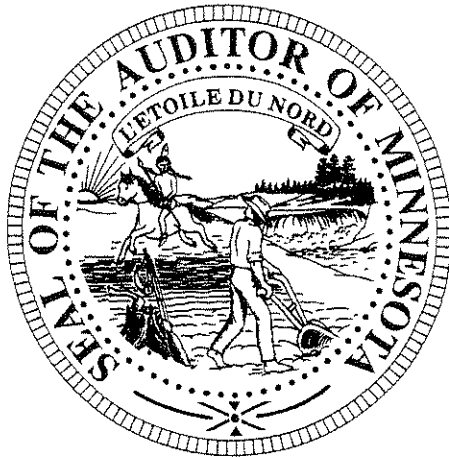
**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@osa.state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**INDEPENDENT SCHOOL DISTRICT 709**  
**Comprehensive Long-range Facilities Plan**



**Petition Engagement**

**Audit Practice Division**  
**Office of the State Auditor**  
**State of Minnesota**

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

STATE OF MINNESOTA  
OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

**INDEPENDENT PETITION ENGAGEMENT**

Petitioners  
Superintendent and School Board  
Independent School District 709

INTRODUCTION

Eligible voters of Independent School District 709 (District) petitioned the Office of the State Auditor (OSA) to examine the books, records, accounts, and affairs of the District in accordance with Minn. Stat. § 6.54 and as related to the District's Comprehensive Long-range Facilities Plan. The statute allows the OSA, in the public interest, to confine the scope of the examination to less than that requested by the petition. Through discussion with petitioner representatives and evaluation of concerns, the scope of our review was limited to addressing the issues discussed below.

BACKGROUND

The District entered into agreements with Johnson Controls, Inc., (JCI) to act as program manager for the District's Comprehensive Long-range Facilities Plan (Plan). In this capacity, JCI was to provide all the professional program management services including planning, architecture, engineering, construction management, and commissioning required to deliver the Plan. JCI indirect construction costs associated with these services are generally recognized as soft costs. The Master Agreement stated the District would pay JCI a lump sum fee of \$250,000 for Phase I - Assessment and Phase II - Plan Evaluation. The Master Agreement also bound the District to using JCI for Phase III of the Plan.

Phase III consisted of implementation of the Plan. Specific terms and conditions for JCI's professional services related to Phase III were defined in the Program Management Agreement. Pursuant to the District's agreements, JCI was to provide professional services either directly or using qualified sub-consultants. During this phase, professional services were not to include construction contracts, which were to be entered into by the District and contractor, and not with JCI.

PETITIONERS' CONCERNS

**1. Soft Costs**

The petitioners expressed concerns regarding increases to soft costs paid to JCI and whether job/change orders for those increased soft costs were properly approved by the Board. The OSA reviewed the Master Agreement and the Program Management Agreement between the District and JCI along with the job/change orders for soft cost increases.

The Program Management Agreement was based on the total Plan budget of \$295,983,647, which consisted of \$257,776,306 in construction costs approved by the Minnesota Department of Education (MDE); an inflation contingency adjustment approved by the MDE in the amount of \$36,088,683; and additional work requested by the MDE in the sum of \$2,118,658. Of the total Plan budget, JCI's program management fee (2%) and program management fee for land acquisition (1%) combined was budgeted at \$5,700,276. Contract language states that appropriate adjustments shall be made to the program management fee when total program cost changes are made. The program management fee is separate and apart from any fees charged by JCI in its capacity as a construction manager on any specific project. The Program Management Agreement states that certain contingent and optional services outside of the work and services identified in the agreements shall be paid for by the District as a reimbursable expense or as a separate job order in addition to the price agreed to in the agreements. In addition to the program management fee, the agreements state that JCI would be compensated, under various specifics, at the following rates based on a percentage of the related cost:

<u>Services Related to:</u>	<u>For Renovations, Repairs, or Remodels</u>	<u>For New Construction</u>
Architectural Construction Costs	8.0%	7.0%
Engineering Construction Costs	9.5%	8.5%
Commissioning Construction Costs	2.5%	2.5%
Construction Management	5.0 - 6.0%	4.0%

The District provided the OSA with the following information regarding fees associated with JCI through December 31, 2013. These include both amounts due to JCI for services performed and amounts for services provided by other contractors where JCI was responsible for payment to the third party for services rendered.

Architectural	\$	7,579,451
Engineering		13,493,194
Construction management		12,946,404
Project commission		1,646,916
Architectural/engineering fee		2,775,506
Program management		6,080,859
Furniture, fixtures, equipment		836,639
Reimbursables		<u>11,166,719</u>
 Total	 \$	 <u>56,525,688</u>

The following actual total Plan costs through December 31, 2013, were also provided to the OSA by the District.

<b>Construction Costs</b>	<b>\$</b>	<b>224,665,842</b>
<b>Soft Costs:</b>		
General Conditions Reimbursables	\$	3,730,459
CM Site Services/Supervision		9,406,090
A/E & CM Fees/Professional Services		37,986,561
Program Management Fee		5,164,145
Miscellaneous Reimbursables		105,045
Communications Consultant		242,045
LEED Coordination		156,489
FF & E Coordination Services		698,472
Asbestos Abatement Consultants		685,376
Roof Construction Observation (inspection)		93,470
SWWPP Consultants (AET)		53,714
Technology Equipment		4,969,007
Security/Intrusion Sensors		81,242
Miscellaneous Owner Cost		3,970,693
MN Power		265,956
City of Duluth - Water & Gas		433,597
Construction Testing		717,462
Test and Balancing		437,398
School Moving Expenses		375,050
CAF Fees (WLSSD Charge)		626,038
Building Permit/Plan Review Fee		1,120,191
Builders Risk Insurance		2,779,884
Property Acquisition		7,463,934
Real Estate Consulting Services		592,503
Professional Services - Reimbursables		1,044,967
Reallocation District-wide Expenses		816,942
Bond Interest		168,252
<b>Total Soft Costs</b>	<b>\$</b>	<b>84,184,982</b>
<b>Total Plan Costs</b>	<b>\$</b>	<b>308,850,824</b>

Comparing the two preceding tables, the \$56.5 million in soft costs associated with JCI are 67 percent of the total \$84.2 million in soft costs and 18 percent of the total Plan costs through December 31, 2013.

Board resolution #B-8-08-2565 dated August 19, 2008, authorized the Director of Business Services or Superintendent to approve changes to agreements or contracts related to the Plan that did not exceed 15 percent of the original contract amount and cause expenditures to exceed the project budget. The School Board Chair or Vice-Chair was required to be consulted to confirm that these conditions were met. Board resolution B-6-11-2904 dated June 27, 2011, approved Plan Amendment 2, which provided for \$15,450,000 in additional funding to complete work; directed staff to prepare and submit to the MDE a Review and Comment; and authorized the Chair to sign project agreements with JCI.

As provided by the District, the job/change orders for soft costs associated with JCI consisted of the following:

November 30, 2009	Furniture, Fixtures, & Equipment Reuse Plan	\$	836,639
November 30, 2009	Amended Project Scopes		1,589,549
January 13, 2012	Additional Scope Items	\$	2,813,439
	Additional Pre-Construction Services		1,041,969
(Note: The District was not obligated to pay for services under this change order that were part of the most recent Amendment to the Review and Comment until such was approved by the MDE.)	Additional Change in Services	<u>900,336</u>	4,755,744
	Program Management Fee Increase Due to Extended Duration of Congdon Park Elementary Project		426,812
	Asbestos Additional Services		432,742
	Construction Management Reimbursables (Change in Project Duration)		<u>3,131,641</u>
	Total		\$

The School Board Chair's signature was on each of the soft cost job/change orders we reviewed. We were informed that this signature signified confirmation that the specific conditions noted above were met, including the Director of Business Services or Superintendent's approval of the job/change orders.

## 2. Source of General Fund Transfers

The petitioners were concerned about the sources of funds that were transferred from the General Fund to pay for project costs of the Plan.

The funding overview for the Plan included estimated cost savings projected to be realized due to operating fewer schools. Funding sources of the District did not decrease to coincide with the estimated reduction in operating expenditures. Instead, funds available as a result of cost reductions were put into a designated account in the General Fund along with the proceeds from property sales and rebates and miscellaneous funding sources. The funding overview then called for enough funds to be transferred out of the designated account to the Debt Service Fund to offset a portion of the debt levy in order to maintain the property tax impact goal per home.

The total annual savings originally estimated from the Plan was \$5.3 million. The Plan estimated \$23.4 million in property sales as a funding source. Actual sales of property did not occur as anticipated. The effect of surplus schools not being sold or demolished, and still incurring utility and related property holding costs, was that some of the operating expenditure reduction was not realized.

The District provided the OSA with an accounting of sources and uses of the General Fund's designated account activity. Following is a summary of that information as of June 30 for each year. Other General Fund resources have offset the deficit in this account.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
<u>Sources:</u>					
Rebates	\$ 92,625	\$ 46,664	\$ 193,675	\$ 122,358	\$ 455,322
Property sales	-	448,085	2,250,855	1,502,906	4,201,846
Operational savings	547,481	1,127,811	2,323,291	3,589,484	7,588,067
Escrow lease purchase proceeds	582,014	-	-	-	582,014
Insurance recoveries and miscellaneous	-	-	126,472	18,050	144,522
<b>Total Sources</b>	<b>\$ 1,222,120</b>	<b>\$ 1,622,560</b>	<b>\$ 4,894,293</b>	<b>\$ 5,232,798</b>	<b>\$ 12,971,771</b>
<u>Uses:</u>					
Transferred to Debt Service Fund	\$ 2,283,687	\$ 3,344,250	\$ 4,587,733	\$ 3,012,034	\$ 13,227,704
Property sales, insurance, and other expenses	36,718	35,529	202,071	69,349	343,667
Principal lease repayment	-	90,000	1,365,000	1,390,000	2,845,000
Interest payments	-	2,156,826	1,562,716	1,701,389	5,420,931
<b>Total Uses</b>	<b>\$ 2,320,405</b>	<b>\$ 5,626,605</b>	<b>\$ 7,717,520</b>	<b>\$ 6,172,772</b>	<b>\$ 21,837,302</b>
<b>Balance</b>	<b>\$ (1,098,285)</b>	<b>\$ (5,102,330)</b>	<b>\$ (7,925,557)</b>	<b>\$ (8,865,531)</b>	<b>\$ (8,865,531)</b>

### 3. Minnesota Department of Education Review and Comment

The petitioners were concerned that additional funding authority for some schools changed in Review and Comment requests submitted to the MDE between the versions of those requests that were not approved and the Review and Comment that was approved.

The District prepared several Review and Comment submissions related to the Plan for the MDE approval pursuant to the process described in Minn. Stat. §§ 123B.70 and 123B.71. Subsequent to the MDE's approval of the original Plan, the District submitted a Review and Comment for Amendment 1, which was approved by the MDE in 2010. This revision increased and decreased estimated costs between schools and resulted in no total change to the overall Plan budget.

In September 2011, the District submitted a Review and Comment to the MDE for a second amendment to the Plan. The effect was to increase the budget/funding by \$15,450,000 between six schools. In October 2011, the MDE requested the District provide additional clarification and rationale for the proposed project changes. In January 2012, the District re-submitted the Review and Comment for Amendment 2 along with a response providing the additional information requested by the MDE. The MDE informed us that this Review and Comment was not acted on positively or negatively by the MDE. The District then submitted a new Review and Comment in March 2012 as authorized by Board resolution B-3-12-2983. The effect was to increase the budget for two schools, Congdon Park and Myers-Wilkins (Grant), for which construction had not yet begun. The MDE granted a positive Review and Comment on this request in April 2012.

The combined budget for Congdon Park and Myers-Wilkins (Grant) schools in the originally approved Plan and JCI contracts was \$23.5 million. At the time of the approval of the second Plan amendment, this budget had increased \$12.1 million to \$35.6 million. The MDE's positive Review and Comment in April 2012 included approving a funding increase of \$19.3 million, the difference between the new budget plus bond issuance costs and the \$16.9 million identified as funds available. At that point in time, the funds available were also less than the original budget for these schools.

The following table is a summary of cost information by school as of December 31, 2013, based on information provided by the District.

School Name - Current (Original)	Construction Costs		Actual Costs		Total Costs	Original JCI Contract and Budget	Approved Amendment 1 (2010)	Approved Amendment 2 (2012)	Actual Total Over(Under) Original and Amendments (c)-(d)-(e)- (f)=(g)
	(a)	(b)	(b)	(a)+(b)=(c)					
Congdon Park	\$ 9,769,616	\$ 4,831,336	\$ 14,600,952	\$ 10,177,222	\$ -	\$ 5,441,208	\$ (1,017,478)		
Ordean East MS (Eastern MS)	21,513,962	8,020,047	29,534,009	28,986,257	-	-	547,752		
Myers-Wilkins (Grant)	13,736,232	5,046,021	18,782,253	13,327,749	2,226,304	4,472,033	(1,243,833)		
HOCHS	448,400	40,102	488,502	6,659,511	(4,225,092)	-	(1,945,917)		
Homecroft	6,000,615	1,983,369	7,983,984	8,600,682	-	-	(616,698)		
Lakewood	2,140,897	829,610	2,970,507	2,958,084	-	-	12,423		
Lowell	5,305,764	1,745,508	7,051,272	7,680,944	-	-	(629,672)		
East HS (Ordean HS)	47,345,348	15,718,166	63,063,514	57,260,533	1,473,623	-	4,329,358		
Laura MacArthur	16,061,833	7,250,811	23,312,644	21,105,467	1,863,926	-	343,251		
Lester Park	15,026,970	6,132,780	21,159,750	19,954,011	346,174	-	859,565		
Piedmont (Piedmont/Lincoln)	14,883,022	4,830,990	19,714,012	18,587,380	1,500,000	-	(373,368)		
Lincoln Park MS (Western MS)	36,963,951	13,240,506	50,204,457	48,270,888	-	-	1,933,569		
Secondary Technical Center	-	-	-	5,235,221	(5,062,309)	-	(172,912)		
Stowe	3,171,085	1,278,328	4,449,413	4,304,790	-	-	144,623		
Transportation Center	-	219,429	219,429	2,537,449	(2,325,225)	-	7,205		
Denfield HS (Western HS)	32,298,147	13,017,979	45,316,126	40,337,459	4,202,599	-	776,068		
Total	\$ 224,665,842	\$ 84,184,982	\$ 308,850,824	\$ 295,983,647	\$ -	\$ 9,913,241	\$ 2,953,936		

CONCLUSION

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on specified elements, accounts, or items relating to the petitioners' concerns as identified in this report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that we would have reported to you.

This report has been prepared solely for the information and use of the Petitioners, Superintendent, and School Board of Independent School District 709, but is a matter of public record, and its distribution is not limited.

*/s/Rebecca Otto*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 22, 2014

**Minutes of the Special School Board Meeting**

Of the School Board of Independent School District No. 709 held at the Historic Old Central High School, 215 North First Avenue East, Duluth, Minnesota 55802, on

Tuesday, July 29, 2014

**Members Present:**

Annie Harala  
Art Johnston (arrived 4:45, left 6:00 PM)  
Rosie Loeffler-Kemp  
Mike Miernicki  
Judy Seliga Punyko  
Harry Welty (left 5:40 PM)  
Bill Westholm

**Others Present:**

Bill Gronseth, Superintendent  
Melinda Thibault, Secretary

➤ Chair Miernicki called the special school board meeting of July 29, 2014 to order at 4:30 p.m.

Member Loeffler-Kemp presented the resolution:

**RESOLUTION**  
**Executive (Closed) Session**

WHEREAS, Pursuant to Minnesota Statutes section 13D.05 subdivision 3 (c) allowing a closed meeting for discussion related to the purchase or sale of real property.

WHEREAS, Pursuant to Minnesota Statutes section 13D.03 subdivision 1(b) allowing a closed meeting for discussion and review of labor negotiation proposals.

NOW, THEREFORE, BE IT RESOLVED, By the School Board of Independent School District 709, St. Louis County, Minnesota, that the School Board shall meet in Executive (Closed) Session on July 29, 2014 at approximately 4:30 p.m. in the Board Conference Room of Historic Old Central High School for the purpose of:

- A. Discussion related to the possible sale of property as listed on attachment; and,
- B. Discussion and review of contract parameters for pending labor negotiations with the National Conference of Firemen and Oilers, Local 32BJ, Chapter 956 (Maintenance Unit).

Resolution B/HR-7-14-3199

July 29, 2014

**M-Loeffler-Kemp, S-Harala, to approve Resolution B/HR-7-14-3199 - Executive Closed Session. Upon a vote the same passed – 6-0.**

Recess at: 4:32

Reconvene at: 6:10

Member Harala presented the Resolution:

**RESOLUTION**  
**Authorizing the Sale of the Rockridge Elementary School Property**

WHEREAS, the School Board by Resolution B-6-07-2452 adopted a Long-range Facilities Plan for the District, and therein also directed the District's administrative staff to commence with the disposition of certain non-school sites including the Rockridge School property; and

WHEREAS, said property will no longer be used for purposes set forth in Minnesota Statute Section 123B.51; and

WHEREAS, there are recent changes to the zoning of this property that have created conditions for this property to be subdivided and sold as separate parcels.

NOW, THEREFORE, BE IT RESOLVED the School Board of ISD 709, Duluth Minnesota hereby authorizes the sale of real property described on EXHIBIT A attached hereto, and

BE IT FURTHER RESOLVED the School Board authorizes District Administration to negotiate with prospective buyers the terms of sale for all property or portions of subject property as long as the terms for sale are consistent with parameters agreed by the board in Executive Closed Session on July 29, 2014, and the School Board Chair is authorized to execute purchase agreements and all other documents required for closing sale transactions.

**EXHIBIT A**  
**Rockridge School Property**

Lots 5, 6, 7, 8 Block 1, LAKESIDE GARDENS ADDITION TO DULUTH, including the Northerly 33 feet of vacated Norwood Street abutting thereon and attaching thereto upon the Vacation of said Norwood Street on November 9, 1964.

AND

Lots 1, 2, 3, 4 Block 1, LAKESIDE GARDENS.

TOGETHER WITH

All that part of vacated 48 1/2 Avenue East lying between the center line of Norwood Street in said plat of LAKESIDE GARDENS as extended across said 48 1/2 Avenue East, and the North line of Block 119, CROSLY PARK ADDITION TO DULUTH, as extended across said Avenue. Subject, to the retention by the City of Duluth of utility easements in the Easterly 25 feet of said vacated avenue; and of the Northerly 33 feet of the vacated Norwood Street abutting the Southerly line of Lot 4, Block 1, LAKESIDE GARDENS.

AND

Lot 1, Block 5, LAKESIDE GARDENS, including the Southerly 33 feet of Norwood Street abutting thereon and lying within the extension of the side lines of said Lot 1, which attached thereto upon the vacation of said Norwood Street on November 9, 1964. Subject to the retention by the City of Duluth of utility easements, including also all that part of 48 1/2 Avenue East abutting thereon and extending to the center line of Norwood Street in said plat of Lakewood Gardens, as extended across said 48 1/2 Avenue East, which attached thereto upon the vacation of said 48 1/2 Avenue East on November 9, 1964, Subject to the retention by the City of Duluth of utility easements in the easterly 25 feet of said 48 1/2 Avenue East.

AND

Lots 2, 3, 4 & 5, Block 5, LAKESIDE GARDENS, including the Southerly 33 feet of Norwood Street abutting thereon, which attached thereto upon the vacation of said Norwood Street on November 9, 1964, subject to the retention by the City of Duluth of utility easements. Lots 1, 2, 3, 4 & 5, Block 5, LAKESIDE GARDENS, are subject to easement in favor of the City of Duluth for use of the public for street purposes over and across a strip of land 66 feet in width described as follows:

Commencing at a point on the southerly line of Norwood Street and distant 33 feet easterly of the common line between Lots 5 and 6, Block 5, in said LAKESIDE GARDENS, thence southeasterly along a line parallel with and distance 33 feet from the easterly form said common line between said Lots 5 and 6 for a distance of 250 feet to a point, thence to the left along a line parallel with and distant 33 feet from the center line of Block 5, LAKESIDE GARDENS, and extending across the rear of said lots 5, 4, 3 and 2, Block 5 LAKESIDE GARDENS, to the westerly line of 48 1/2 Avenue East, and there terminating.

AND

Lots 1282, 1283, 1284, 1285, 1286, 1287, and lots 1458, 1459, 1460, 1461, 1462, 1463, 1464, 1465, 1466, 1467, 1468, 1469, 1470, 1471, 1638, 1639, 1640, 1641, 1642, 1643, 1644, 1645, 1646, 1647, 1648, 1649, 1650, and 1651 all in CROSLEY PARK ADDITION TO DULUTH.

TOGETHER WITH

Those portions of vacated Norwood Street, Ivanhoe Alley and Ivanhoe Street pursuant to City of Council Resolution 91-0503 Adopted July 1, 1991 and recorded as Document Number 0525872 in the Office of the County Recorder, St. Louis County, Minnesota.

B-8-14-3200

August 29, 2014

**M-Harala, S-Westholm, to approve Resolution B-8-14-3200 – Authorizing the Sale of the Rockridge Elementary School Property. Upon a vote, the same was approved – 5-0**

- Chair Miernicki adjourned the Special School Board meeting of July 29, 2014 at 6:13 p.m.

8. Communications, Petitions, etc.

*No communications received at this time.*

DULUTH PUBLIC SCHOOLS, ISD 709  
SCHEDULE OF MEETINGS AND EVENTS

25

*All meetings are scheduled at Historic Old Central High School, 215 N 1<sup>st</sup> Avenue East, unless otherwise noted.*

**August 18 – August 22, 2014**

Tuesday	August 19	6:30 p.m.	Regular School Board Meeting Board Room – 2 <sup>nd</sup> Floor
---------	-----------	-----------	--

**August 25 – August 29, 2014**

*No meetings scheduled at this time.*

**September 1 – September 5, 2014**

*No meetings scheduled at this time.*

**September 8 – September 12, 2014**

Monday	September 8	4:15 p.m.	Human Resources Committee Board Room – 2 <sup>nd</sup> Floor
--------	-------------	-----------	---

Monday	September 8	4:30 p.m. <i>(or to follow the Human Resources Comm. Mtg)</i>	Business Committee Board Room – 2 <sup>nd</sup> Floor
--------	-------------	--	--

Tuesday	September 9	4:15 p.m.	Education Committee Board Room – 2 <sup>nd</sup> Floor
---------	-------------	-----------	---

**September 15 – September 19, 2014**

Tuesday	September 16	6:30 p.m.	Regular School Board Meeting Board Room – 2 <sup>nd</sup> Floor
---------	--------------	-----------	--

**September 22 – September 26, 2014**

*No meetings scheduled at this time.*

**September 29 – October 3, 2014**

*No meetings scheduled at this time.*

**October 6 – October 10, 2014**

*No meetings scheduled at this time.*

*Office of the Superintendent  
August 13, 2014*