

Minutes from the Board Meeting of the ISLA Affiliated Building Company (“ISLA ABC”)

Held on July 30, 2015

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Board Members in Attendance: Andy Babula, Jen Dellmuth, Natalie Wobbema

Guests in attendance: Josh Mahlen

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The meeting commenced at 5:30 pm.

The following topics were discussed during the meeting:

1. May 20, 2015 minutes. The May 20, 2015 minutes were approved at the June 9, 2015 joint meeting of the Board and the ISLA School Board Facilities Committee.
2. June 9, 2015 meeting. No minutes were kept of the June 9, 2015 meeting. The attendees to that meeting discussed the Memorandum prepared by Kathy Madson which detailed landlord and tenant obligations, and specifically the types of expenses undertaken by ISLA which are eligible for reimbursement by ISLA ABC. The Facilities Committee also discussed their future plans and showed a copy of the sign they intended to post. A variance is required from the City of Minnetonka for the sign to be posted.
3. Conflict of interest policy and statements. Ms. Dellmuth executed her statement regarding conflicts of interest prior to the meeting and provided it to Ms. Wobbema. Ms. Wobbema and Mr. Babula executed their conflict of interest statements during the meeting.
4. Sign Variance. Prior to the meeting, via email communication the Board approved a resolution relating to the sign variance and gave a copy to Ximena Rayo on July 28, 2015.
5. MB&T Account Agreement Resolution. The Minnesota Bank and Trust (“MB&T”) requires the Board to pass an updated resolution identifying the agents of ABC with authority to engage in various financial activities relating to ABC’s account with MB&T. Mr. Babula moved to approve the Corporate Authorization Resolution for MB&T, which identified Mr. Babula, Ms. Wobbema, Ms. Dellmuth, and Mr. Mahlen as such agents. Ms. Wobbema seconded. Motion passed unanimously and Ms. Dellmuth executed the attached Exhibit B as required by MB&T.
6. The Lease between ISLA ABC and ISLA. The Lease requires the ISLA ABC to execute a lease each year with the amount of rent for the year, which is based on the number of students. The ISLA Board has budgeted for 303 students for the 2015-2016 fiscal year. Based on the Lease Aid formulas, the annual rent for 2015-2016 will be \$442,380. Ms. Wobbema moved that the Board approve the Exhibit B to the Lease containing the rent amount. Mr. Babula seconded. The Motion passed unanimously.
7. Request for Easement. Prior to the meeting, the City of Minnetonka notified ABC that the City intends to request an Easement for road construction. The official request has not yet been received.

8. Mis Amigos door installation. Mis Amigos notified ABC that they have confirmed they are not required to have an additional door, so this request has been withdrawn.
9. Approval of prior fiscal year-end financial statements. The Fiscal year 2015 financial statements were presented by Mr. Mahlen and discussed by the attendees discussed. There is a total fund balance of \$78,965.97. There was some discussion regarding accounting of various capitalized expenses. The State requires that ABC be audited together with the school by November 30 of each year. The ABC's portion of the audit will cost \$3,500; ABC will also pay \$1,500 for the 990. Mr. Babula moved to approve Fiscal Year 2015 Financial Statement as presented. Ms. Wobbema seconded. Motion passed unanimously.
10. Budget for current fiscal year. Mr. Babula presented the proposed budget for the current fiscal year. The Audit expense and tax returns described by Mr. Mahlen need to be added, and the rent needs to be revised to reflect the increased amount for the current fiscal year. Mr. Babula also described the budget's plan to build up funds for a general reserve, property maintenance (for identified likely maintenance over the next 10 years, including the roof, parking lot, HVAC), and property improvements (such as a gymnasium). The budget amounts for long-term fund payments are approximate, but provide flexibility to meet various needs that come up. Even with those budgeted funds, \$6000 remains in the ABC annual budget for 2015-2016 for ISLA to use for miscellaneous short term projects. There was discussion regarding whether these funds should be available by the school upon request and approval by the Board, and ultimately a determination was made that by approving the budget, the ABC Board would agree to donate this amount to the School for the School to use in its discretion. There was further discussion about preparing a multi-year budget to set forth the Board's goals regarding future allocation of funding to various long-term projects and to the school once the Reserve is met. Mr. Babula moved to approve the FY 2016 budget as presented by Mr. Babula and as modified during the meeting (revising the rental and audit/tax expenses, and confirming that \$6000 will be donated to ISLA). Ms. Dellmuth seconded. The motion passed unanimously.
11. Reserve Policy. The Board previously had discussed having 6 months of loan payments available as a reserve. The ISLA School Board has expressed to ISLA ABC Board that ISLA ABC may not need the reserve because the School has an adequate reserve. However, the School Board has not identified a need for immediate additional funding from the ABC if a lower amount is allocated to the Reserve, and the School's current Reserve is currently in excess of their required reserve of 25% of their general fund expenses, suggesting that they are not currently in need of additional funds . The Board discussed its separate fiduciary duty, but also noted that because of the School's reserve, the risk of the school defaulting is lower than it would be without the School's reserve. The Board discussed that the purpose of the ABC is the long term maintenance and improvements of the school. For the ABC budget, whether the Reserve Policy is 3 or 6 months, this will not change the proposed budget or the amount the ABC Board intends to donate immediately to the school (\$6,000), because there is still a need to build up the reserve quickly. Having a 6 month reserve provides additional flexibility in the event of unplanned maintenance issues; the funds that are set aside on the long-term funds can be reallocated by the ABC Board in the event the school requires funding for maintenance or other

issues sooner than anticipated. There was additional discussion regarding whether a separate policy is required to set forth the Reserve, and it was determined that a separate policy is not necessary because the Reserve will be set forth in the budget and the meeting minutes. Ms. Wobbema moved that the Board build a six-month Reserve (\$175,000) by 6/30/2017, and then over the next 8 years (through June 30, 2024) designate \$240,000 for long term structural maintenance of the building (i.e. roof, parking lot, HVAC). Mr. Babula seconded. Motion passed unanimously.

12. Administrative issues. Mr. Mahlen will hold and maintain the checkbook, and will inform Mr. Babula when he is writing a check for something included within the budget. For expenses outside of the budget, Mr. Mahlen will seek approval from the Board. Mr. Mahlen is using the same software for financials as the school uses (and as required by MDE). There was discussion regarding how often the Board will provide an updated financial statement to the School, and about the best virtual location to store historical and current ABC and ABC Board documents.
13. Insurance. We have been talking to a broker about insurance; they require payrolls by class and loss runs in order to give us a quote. This likely would be required for an insurance quote for the school, but ABC has no payrolls or employees. There likely are not loss runs because the School is not self-insured for workers comp. Mr. Mahlen can provide payrolls by class for the School. Currently Jen Jouppi handles insurance for the School; Mr. Babula will ask Ms. Jouppi if she is interested in obtaining a quote for the School as well.
14. Future meetings. Meetings will be the last Thursday of the month every quarter (October 29, 2015; January 28, 2016; and April 28, 2016), all at 5:30 pm at the school.
15. Adjournment. Meeting adjourned at 6:45 pm.