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**Robbinsdale Area Schools
FINANCIAL ADVISORY COUNCIL (FAC)
MINUTES FOR March 29, 2022
DRAFT**

Present	FAC Members
X	Lennie Kaufman, Chair
X	Walter Gray
X	Earl Hoffman
X	Greg Kugler
	O. Barry Rogers
X	Howard Schwartz
X	Terry Swanson
	School Board Member
X	John Vento, Treasurer
	District 281 Staff
X	David Engstrom, Superintendent
X	Ukee Dozier, Executive Director of Finance
X	Virginia Verbrugge, Assistant Director of Finance
X	Beth Tomlinson, Controller
X	Meghan Hickey, Director of Student Services
X	Marti Voight, Assistant Superintendent
X	Karylanne Marchand, Business Office Manager
X	Kelly Smith, Baker Tilly

Agenda Item 1: Welcome and Introductions:

Chair Lennie Kaufman called the meeting to order at 6:30PM, with the FAC members and others noted above in attendance. The meeting was held via Zoom. Mr. Kaufman opened the meeting by welcoming the attendees.

Agenda Item 2: Acceptance of Agenda:

The agenda had been distributed to the members prior to the meeting. A motion was properly made and seconded to accept the distributed agenda as amended. The motion passed unanimously.

Agenda Item 3: Approve the Minutes of FAC meetings on February 17, 2022:

The minutes had been distributed to the members prior to the meeting. A motion was properly made and seconded to accept the minutes. The motion passed unanimously.

Agenda Item 4: Enrollment trend:

Mr. Dozier presented data showing the numbers of district resident students who attend charter and private schools, who are home schooled, and who open-enroll in other districts. He also showed the number of students of other districts who open-enroll into our District. For the current school year, there are 2,490 students open-enrolling into the District and 2,044 open-enrolling out. The biggest net inflow is from Minneapolis (1,366 in vs. 129 out), and the biggest net outflow is to Hopkins (646 out vs. 53 in). Osseo, another neighboring district, has 540 students in our District vs. 420 of our students open-enrolling in Osseo. In addition to open-enrollees, 1,412 students living in our District attend charter schools and 1,110 attend private schools.

Mr. Schwartz asked why we're unable to retain most of all of the 420 students going to Osseo. Mr. Vento indicated there were a variety of reasons why students enroll in other districts. As an example, he mentioned that Minnetonka ISD does a lot of marketing to attract open-enrollees, and during a past year 1,000 Hopkins students open-enrolled into Minnetonka, but only 22 Minnetonka students open-enrolled into Hopkins.

Mr. Schwartz pointed out that, based on comments from our audit firm, we're on the high end of metro districts experiencing open-enrollment losses. He asked if our District is attracting a larger than expected number of special education students compared to other districts, and he noted that state and federal reimbursement for special education is below the actual cost of providing required services. Dr. Hickey said that the District's spending per special education student is well within the range of other metro districts. Mr. Engstrom stressed that it's important we find out what our enrollment and costs per student are. He mentioned his experience in Colorado, where there were unfunded mandates but no measurement of their impact.

Mr. Engstrom observed that the District didn't compile and distribute open-enrollment migration data prior to this year. We now have one year of data, and we don't have a trend line yet, but we can now start to track if we're doing better or worse. He said that part of the District's strategic planning is to ask resident parents why they chose to open-enroll their children outside the District, and also ask non-resident parents why they chose to open-enroll their children into the District.

Mr. Kaufman commented that many years ago, the District did a survey of parents of students open-enrolled outside the District, and it's good that we're now going to pull this type of data together again.

Mr. Vento said that many districts saw an increased number of students enrolling in private and charter schools during the pandemic. For example, Wayzata ISD saw its first budget shortfall in a number of years, mainly due to students leaving during the pandemic.

The FAC expressed its appreciation to Mr. Dozier, Dr. Hickey, and their colleagues for pulling this information together.

Agenda Item 5: Budget projections:

The preliminary revised mid-year FY22 and FY23 budgets were presented to the Board on March 7, 2022. The revised FY22 budget shows revenues up by \$1.9 million (M), expenses up

by \$1.2M, and the unassigned fund growing by 0.45% to 6.00% of annual expenses. The largest component of the expense increase is a \$1.9M increase in salaries. The revised FY22 budget does not include ESSER funds. Mr. Dozier noted that the unassigned fund has gradually improved yearly since FY19.

Mr. Hoffman asked about the financial impact of Durham Transportation's difficulty in fulfilling its contract. Mr. Schwartz asked whether the number of students who don't use the bus impacts the District's payment to Durham. Mr. Dozier explained that the number of students riding buses does not affect the payment; the District pays Durham by the routes that they fulfill. At the start of FY22, 1,600 students had no transportation. Mr. Gray asked about the impact of walkers. Mr. Engstrom replied that the District offers bus transportation only to students who live outside of designated walking zones.

The mid-year FY22 projection of the food service fund balance is \$1.8M, down from \$3.6M originally. Revenue is projected to decrease by (\$0.8M) and expenses to increase by \$1.0M, mostly due to higher cost of food and supplies.

The mid-year FY22 projection of the community education fund balance is \$2.7M, up from \$1.4M originally. Revenue is projected to increase by \$0.36M, due to additional federal funding, and expenses to decrease by (\$0.9M), mostly due to lower salary expense.

Putting all funds together, the revised mid-year FY22 budget projects \$271.6M in revenue, \$263.5M in expenses. Mr. Gray pointed out that this means that the District will have a positive balance of \$8.1M at 6/30/2022 if all assumptions for the remainder of FY22 pan out.

Mr. Dozier next moved to the preliminary FY23 budget. The budget assumes a 2% increase in per pupil funding from the state, a 2.87% enrollment decline, and the same staffing ratios as in FY22. With these assumptions, he projects that the unassigned fund will grow by \$1.5M at 6/30/2023. The key actions of FY23 will be:

- Focus on minimizing expenses.
- Maintain the contingency fund to address inflationary cost increases.
- Place significant emphasis on recruiting and retaining students.
- Invest in Pathways to make Robbinsdale Schools a destination district.

The preliminary FY23 budget will be brought to the Board for its review on April 5, 2022. The FAC will make its annual presentation to the Board on June 7, 2022 and the Board will act on the final budget on June 20, 2022.

Agenda Item 6: Future Meeting Dates, Other Items, and Adjournment:

The next FAC meeting will be May 17, 2022 at 6:30 PM. As noted above, the FAC will make its annual presentation to the Board on June 7, 2022. After a motion was made and seconded to adjourn, the meeting was adjourned at 8:08 PM.

Minutes submitted by Earl Hoffman



FY23 Preliminary Budget Assumptions

School Board Work Session

Ukee Dozier
May 9, 2022





ROBBINSDALE
Area Schools

OUR UNIFIED DISTRICT VISION

Our mission is to inspire and educate all learners to develop their unique potential and positively contribute to their community

Presentation Purpose

The purpose of tonight's presentation is to:

- ❑ **Provide an update on the FY23 budget planning process**
 - ❑ Assumptions and Estimation for all funds
 - ❑ Funding strategies outside of Gen Ed
 - ❑ Fiscal recommendations to consider in future planning

General Fund Assumptions

- ❑ **FY 23 General Fund Revenue Assumptions**
 - ❑ **General Education Funding Formula** – A 2%, or \$135 increase in per pupil funding from \$6,728 to \$6,863.
 - ❑ **Enrollment** - Projecting a decrease in enrollment of -318 or -2.87% from current end of year 8 projections
 - ❑ **Projected decline Gen Ed revenue of \$2.1 million based on enrollment decrease.**
 - ❑ **Special Ed Revenue** - anticipated to remain neutral due to projected current year expenditure levels

Preliminary Enrollment Projections

	FY22 EOY	FY23 Proj	Net Change
Early Childhood (EC)	146	121	-25
Voluntary Pre-K	175	175	0
Handicap (K)	93	92	-1
Grades K-5	4458	4,407	-51
Grades 6-8	2402	2,207	-195
Grades 9-12	3807	3,761	-46
Total Projected Enrollment	11,081	10,763	-318

General Fund Assumptions

❑ FY23 General Fund Expenditure Assumptions

- ❑ Staffing ratios to remain the same for FY23 as FY22
 - ❑ -318 projected decline in enrollment results in a reduction of 19.6 staff, with a \$1.27 mil estimated reduction in labor costs for FY23
- ❑ Contract Settlements and Steps/Lanes:
 - ❑ Contract negotiations:
 - ❑ *Settled – Teachers, AFSCME, Program Directors, Program Assistants, Cabinet, Child Nutrition*
 - ❑ *Tentative Agreement – Educational Assistants*
 - ❑ *In progress – Principals*
 - ❑ *Beginning FY23 - SEIU*
 - ❑ Estimated Average Salary Schedule increase for FY23 – 1.96%
 - ❑ Estimated Average Roll up increase – 1.22%
 - ❑ Estimated Cost increase - \$4.7 Million

General Fund Assumptions

Inflationary cost of service, Transportation fuel cost, and Utilities

- Assuming a 18% increase across all categories

- Fuel – 41.5%
- Heating/Piped Gas – 42.2%
- Electricity – 6.9%
- Services/Materials – 8.2%

Special Education

- Expenses are anticipated to be relatively neutral to current year in compliance with MOE
- Staffing costs are anticipated to operate under capacity due to filling positions, particularly EA staff.
- Conversely, SPED transportation costs are anticipated to operate above traditional expenditure levels due to Tier III transportation.

General Fund Assumptions

Estimated Budgetary Net Effect

Category	Estimated Cost
Enrollment Decline Revenue Loss	\$(2,182,000)
Staff Decline - Ratio	\$(1,274,000)
GF Labor Cost Inc (Settlements/Rollup)	\$4,699,000
Net of Labor Cost	\$3,425,000
Inflationary Cost (Uncontrolled) – Utilities/Fuel	\$715,000
Inflationary Cost (Controlled) – Service/Supplies	\$331,000
UA Budget Surplus Target Addition	\$400,000
Total Budget Shortfall w/out Target	\$(6,653,000)
Total Budget Shortfall with Target	\$(7,053,000)

General Fund Shortfall Funding Strategies



General Fund Recommendations

- ❑ **Hold Harmless programming/staffing approach**
 - ❑ Utilize alternative funding sources to offset the cost of maintaining current program/staff levels.
- ❑ **Fund Balance Growth Target (Budget Surplus)**
 - ❑ Create an expenditure budget that's within revenue constraints. Target a \$1.5 million increase to Unassigned Fund Balance (Inclusive of all funding strategies)
- ❑ **Manage expense increases**
 - ❑ Focus on minimizing expenses that affect the General Fund Balance
 - ❑ Includes staff steps and lanes increases as well as staffing costs that truly correspond with enrollment
- ❑ **General Fund Set Aside**
 - ❑ Maintain level of contingency funds to address inflationary costs
- ❑ **Investing in Resident Enrollment**
 - ❑ Place a significant emphasis on recruiting and retaining resident students
 - ❑ Investing into Pathways to help make RAS a destination district

Child Nutrition Fund

- ❑ **Revenue projections of \$7.76 million**
 - ❑ Revenues are anticipated to decrease from current year projections due discontinuation of the USDA federal meal program, in return to the traditional school breakfast and lunch program funding model.
- ❑ **Expense projections of \$7.98 million**
 - ❑ Labor costs are anticipated to remain relatively neutral in comparison to current year
 - ❑ Food and supply costs are significantly higher than traditional levels
 - ❑ Inflationary supply chain trends are projected to continue playing a factor in the rise of food and supply costs.
- ❑ **Current fund balance is healthy enough to sustain cost impact for FY23**
- ❑ **Alternative funding considerations**

Community Education Fund

- ❑ **Revenue projections of \$10.5 million**
 - ❑ Increase from previous year due to increased program participation and other local sources
 - ❑ Similar to revenue levels of operations pre covid
- ❑ **Expense projections of \$10.2 million**
 - ❑ Increase from previous year due to increase in staffing levels in correlation with increased program participation
 - ❑ Similar to expense levels of operations pre covid
- ❑ **Healthy fund balance - Projected YE22 increase**

Building Construction and Debt Service Funds

Building Construction Fund (06)

- Revenue projection of \$19.5 from bond issuance, levy and aid
- Expenditure projection of \$19.5 based on LTFM FY23 maintenance plan

Debt Service Fund (07)

- Revenue projections of \$18.9 from levy and aid
- Expenditure projections of \$19.2 million based on principal and interest debt service schedule

Self Insured Medical and Dental

Dental Fund (20)

- Revenue projections of \$1.45 million from employee and employer paid premiums
- Expenditure projections of \$1.4 million due to claims and fixed costs
- Projected ending FY22 reserves \$ -120k

Medical Fund (22)

- Revenue projections of \$20.2 million from employee and employer paid premiums
 - 15% increase beginning in calendar year 2022
- Expenditure projections of \$19.1 due to claims and fixed costs
 - Assuming 2.5% increase due to pandemic driven claims
- Projected ending FY22 reserves \$ -1.5 million

OPEB Trust Fund and Debt Service

OPEB Trust

- Revenue projections of \$700k from investment earnings
- Expenditure projections of \$900k to pay severance claims for retirees
- Trust fund remains at a substantial surplus with assets exceeding the expected future severance obligations.
- Plan assets/liabilities as June 30, 2021
 - Assets - \$16,897,305
 - Liabilities - \$7,253,944

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OPEB Debt Service

- Revenue projections of \$2.69 from levy and aid
- Expenditure projections of \$2.60 million based on principal and interest debt service schedule

Future Budgetary Considerations

- Future impact of declining enrollment with strategies to mitigate
- District financial operations beyond ESSER funding sunset
- Standard of Service/Staffing Ratio
- Future funding predictions in the new biennium
- School Lunch Debt
- Long- Term Self Insured Medical Cost as impacted by COVID 19 pandemic

Next Steps

- ❑ **Finalize FY23 Original Budget**
 - ❑ June 7th Work Session - Review Final FY23 Budget for all funds
 - ❑ June 20th Regular Meeting – Approve Final FY23 Budget

Questions



ROBBINSDALE AREA SCHOOL DISTRICT #281
FINANCIAL ADVISORY COUNCIL
MEMBERSHIP TERMS

Howard Schwartz
July 1, 2019-June 30, 2022

Terry Swanson
July 1, 2019-June 30, 2022

Earl Hoffman
July 1, 2019-June 30, 2022
(Appointed December 21, 2020-Replaced Tom Klick)

O.Barry Rogers
July 1, 2020-June 30, 2023

Greg Kugler
July 1, 2020-June 30, 2023

Lennie Kaufman
July 1, 2021-June 30, 2024

Walter Gray
July 1, 2021-June 30, 2024

John Vento
School Board Treasurer
August 16, 2021-

David Engstrom
Superintendent
July 1, 2021-

Ukee Dozier
Executive Director of Finance
July 1, 2021-