

**Independent School District #281  
Robbinsdale Area Schools  
FINANCIAL ADVISORY COUNCIL (FAC)  
MINUTES FOR May 12, 2020  
APPROVED**

<b>Present</b>	<b>FAC Members</b>
X	Gregg Fishbein
X	Earl Hoffman
X	Lennie Kaufman
X	Thomas Klick
	Barry Rogers
X	Howard Schwartz
	Terry Swanson
	<b>School Board</b>
X	Sherry Tyrrell, Treasurer
	<b>District 281 Staff</b>
X	Greg Hein, Executive Director of Finance
X	Carlton Jenkins, Superintendent

**Other Attendees: Stephanie Burrage (District 281 Administration), Ukee Dozier (Finance Group), Karylanne Marchand (Finance Group), Richard McGregory (District 281 Administration), Kelly Smith (Baker Tilly), Nichol Sutton (District 281 Administration), Ginny Verbrugge (Finance Group), Kristine Wehrkamp (District 281 Administration).**

**The meeting was called to order at 6:34 PM on May 12, 2020 with the Council members noted above in attendance. Due to the COVID-19 Pandemic this meeting was held virtually with all members attending via the Zoom platform.**

**Agenda Item 1: Welcome and Introductions:**

Chair Gregg Fishbein opened the meeting welcoming the attendees, and with this being the first meeting held via Zoom, everyone attending the meeting introduced themselves.

**Agenda Item 2: Accept Agenda:**

Lennie Kaufman moved to approve the agenda for the May 12, 2020 meeting. The motion was seconded by Earl Hoffman, and the motion passed unanimously.

**Agenda Item 3: Approve February 11, 2020 Minutes:**

Lennie Kaufman moved to accept the minutes of the February 11, 2020 meeting as distributed. The motion was seconded by Earl Hoffman, and the motion passed unanimously.

**Agenda Item 4: FY 2021 Preliminary Budget:**

Executive Director of Finance Greg Hein led a discussion outlining the preliminary budget for FY 2021 (July 1, 2020 – June 30, 2021). Our primary focus was on the General Fund with special emphasis on the Unassigned Fund Balance. This presentation was the same as was

provided to the School Board at their work session earlier in May. At this point Greg still expected to finish our current fiscal year (ending June 30, 2020) with General Fund revenues exceeding expenses by approximately \$1.1 Million. This would raise the current fiscal year Unassigned Fund Balance to approximately \$600,000. As we looked at the proposed fiscal 2021 budget, we looked at revenues, expenses, and fund balance numbers in relation to the results for current fiscal year 2020. Based on a projected decline of 300 students for fiscal 2021, net enrollment revenue was expected to decline by \$1.9MM. This decline was offset by an expected increase in Special Education aid of approximately \$.4MM (\$400,000) and a Basic Revenue Formula increase of 2% which yields a revenue increase of \$1.7MM. This creates a net increase to top line revenue of \$.2MM (\$200,000). The phaseout of the Special Education Funding cap is expected to be a solid benefit for District 281 over the next 2-3 years.

Greg then discussed the related FY 2021 expenditure projections, which were broken down between labor related and non-labor related costs. Based on an evaluation of employee turnover, salary negotiation results, and staffing needs and ratios, labor costs were expected to increase by \$2.5MM. Non-labor costs were budgeted to have normal inflationary increases and were expected to increase by \$.5MM (\$500,000). This created a total General Fund expense increase of \$3.0MM. Therefore, the combination of projected revenue and projected expenses yielded a net decrease of \$2.8MM from the prior year's gain of \$1.1MM. There was a strong desire to eliminate this initial negative variance from the prior year's results. Both revenue and expense items were re-evaluated to eliminate this \$2.8MM negative change.

During this re-evaluation, the District came up with an additional \$722,000 of revenue and a reduction and realignment of expenditures totaling \$2,078,000. Together these two sets of changes improve budgeted performance in the Unassigned General fund back to the same level as in FY 2020 (an increase of \$1.1MM). The revenue components during this re-evaluation were from a change in our investment strategy which should yield an additional \$50,000, and a recognition of increased Special Education cross-subsidy aid (\$672,000 above the previously mentioned Special Education aid). The expense reductions included a position elimination, bringing some work back in-house, and the movement of other expenses to different funds which were felt to better house those expenditures. These budget projections should create an Unassigned Fund balance of \$1.7MM at the end of fiscal 2021 (June 30, 2021).

An extensive discussion took place regarding all facets of the projections. Discussion topics included liquidity and cashflow in the event revenues were disrupted and short-term borrowing might become necessary. There were questions raised about the appropriate number of facilities needed at the different levels (elementary, middle, and high schools), as well as the levels of debt which has been incurred in the last few years to support District facilities and activity. There was concern raised regarding a drop in the District's bond rating. The impact of open enrollment (both in and out) was discussed as well as Management's comfort level with the projected enrollment decline. The FAC indicated a desire to explore some of these topics in further detail, and further discussions will occur to determine the best way for the FAC to support and provide input to District 281 leadership.

#### **Agenda Item 5: OPEB Advisory Committee:**

School Board Treasurer Sherry Tyrrell lead a discussion regarding the creation of an Advisory Committee to focus on the District's OPEB (Other Post-Employment Benefits) activity. Given the very large (over \$4.5MM) positive OPEB adjustment in Fiscal 2019, and the continuing

existence of OPEB debt outstanding, a significant fund balance, and an ongoing liability to be retired, the School Board believed that a Committee should be established to advise the Board on issues pertaining to OPEB activity. A copy of the proposed resolution was shared with the FAC to get its thoughts about this issue. It is contemplated the OPEB Committee will consist of two FAC members along with two School Board members, various members of the District 281 Finance staff, the Superintendent, and the RFT President. There was agreement by the FAC that OPEB activity should receive focused attention. The FAC raised the issue of whether a separate committee was needed or whether this activity could be handled as an ongoing function of the FAC. After discussion it was decided that a special committee would work better for the District.

### **Agenda Item 6: COVID-19 and Distance Learning Plan Updates**

Assistant Superintendent Stephanie Burrage led a discussion about the impacts of the recent shift to distance learning on the District, and Greg Hein highlighted a number of the current and potential impacts on the District's financials from the response to the Pandemic. Clearly the recent move to distance learning during the State ordered school closings has broadly impacted both activities and dollars within District 281. One of the impacts included the need for enhanced technology use by students and staff. To support students who could not connect digitally, busses are used to drop off and pick up assignments. The District's goal was to see that all students had the necessary equipment to support distance learning. The District has also served close to 300,000 meals to students who depend on these meals in order to receive necessary nutrition, and staff has needed to support the social and emotional needs of students from a distance in addition to academic requirements. There were also some positive financial impacts which include reduced transportation costs and reduced spending on substitute teachers.

Many questions were raised about the cost of supporting the needed changes, and the costs and impacts to reopen the schools at the appropriate time. Issues were discussed regarding the impact on enrollment, such as whether the current experience will lead to more home schooling, or hybrid models using both in-school and distance learning. What space costs will be incurred? Do we have adequate space to house returning students in classrooms that allow for proper social distancing given current class sizes and classroom sizes. Will we need to have smaller (and therefore more) sections being taught? There is much uncertainty impacting our financial future. These items are being thought about currently, and the need for flexibility and adaptability will be at a premium.

Two examples of the financial impact of the Pandemic on our current year operations relate to revenue losses in our Food Service Operations (Fund 2) and our Community Education Group (Fund 4). Both of these groups earn significant revenue from activities charged to students and/or the community. Those would include meals supporting the Food Services Budget and charges for Community Education classes and Adventure Club fees in Community Education. The impact on these two areas significantly reduced both fund balances. Combined transfers of more than \$1.4MM were made into these funds from the General Unassigned fund to bolster their fund balances.

Looking out toward future fiscal years, the financial impact on the State of Minnesota and its citizens from this Pandemic could impact future increases in State financial funding (which is the largest source of funds for the District), and the potential for increasing tax levies to increase funding. The impacts of COVID-19 will be a topic requiring regular discussion.

**Agenda Item 7: Other.**

Greg Hein briefly updated the group regarding the status of the requested forensic audit of District 281. Greg reaffirmed the audit is still going on and no firm date has been given for the release of the report. The auditors had asked for additional information within the last few weeks, and any discussion about that information is confidential until a report is issued. At that time, the information will become public.

**Next Meeting Date:** June 23, 2020 at 6:30 pm was chosen as the next FAC meeting date.

**Agenda Item 8: Adjournment:**

After a proper motion was made and seconded to adjourn our meeting, the meeting was adjourned at 9:14 pm.

**Minutes submitted by Lennie Kaufman**