HOPKINS
PUBLIC SCHOOLS

CFAC ANNUAL BOARD REPORT

FOR THE FISCAL YEAR ENDING JUNE 30, 2023

INDEPENDENT SCHOOL DISTRICT 270
HOPKINS PUBLIC SCHOOLS

Serving Eden Prairie, Edina, Golden Valley, Hopkins, Minnetonka, Plymouth, and St. Louis Park

EDUCATIONAL SERVICES CENTER
1001 Highway 7
Hopkins, Minnesota 55305

Citizen’s Financial Advisory Committee

Committee 2022-23 Budget Recommendations to the School Board February 8, 2022

EXECUTIVE SUMMARY

The Citizens Financial Advisory Committee (CFAC) in partnership with Hopkins Public Schools administrators was established to leverage the financial experience and expertise of a group of community members and provide recommendations to the School Board regarding the financial planning and performance of the Hopkins School District (District). The recommendations will be used by Tariro Chapinduka, Director of Business Services, to develop the 2022-23 budget.

CFAC Members

Luke Jacobson
Andy Kocemba
Warren Goodroad
Aimée Blatz

The committee has formally met three times with Superintendent Rhoda Mhiripiri-Reed, Assistant Superintendent Nik Lightfoot and Director of Business Services, Tariro Chapinduka. School Board members who serve on CFAC for 2021-22 are Directors Steve Adams and Katie Pederson.

The committee review has focused on the following information:

- Audited results for Fiscal year ending June 30, 2021
- General Fund Assigned/Unassigned Fund balance as of June 30, 2021
- Budget Pro-Forma and Planning for (FY2023) thru FY 2026
- Contract negotiations
- Number of students enrolled and future enrollment projections
- COVID-19 Pandemic impact on actual and projected enrollment
- Current and projected per student funding from the State
- FTE and salary comparison with neighboring school districts
- Salary and fringe benefit costs of teachers, support staff and administration
- Pension funding on a District and State level
- General discussion about other factors affecting the District’s financial health

Assumptions and Recommendations for FY23 Budget to the School Board:

- State per student funding in the projection years of FY22 (2.45%) and FY23 (2%) is based on available information
- Projected enrollment is slightly increasing in FY23 and projected to be flat for the foreseeable future
- 3.0% annual increase in FY22 AND FY23 in total salaries and wages (62% of total expenditures)
- Fringe benefits to increase by 3% (39% of total compensation) for FY23

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- Purchased Services and Supplies to increase at 7% on an annual basis except Utilities and Transportation which will increase at 5%
- General Fund Unassigned Fund balance based on audited FY21 Financial statements is sitting at 10.1%

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<u>CFAC Conclusion</u>

The District has a total General Fund balance of $20.1 million or 19.1%, as of June 30, 2021 (See Appendix A). The General Fund Unassigned Fund balance increased from $8,004,529 at June 30, 2020, to $10,595,631 (10.1%) at June 30, 2021. CFAC, however, will continue to recommend that additional funds need to be added to Unassigned Fund Balance to maintain an Unassigned Fund balance at 10% or near 15% which is in line with the District's auditor recommendation of 8-15%, and which is comparable with neighboring districts.

The COVID-19 Pandemic has presented operational and enrollment challenges for the District but we are starting to experience improvements. Enrollment has slightly increased in FY22, but revenue continues to be outpaced by expenditures. As projected in the FY23 budget scenarios, expenditures exceed projected revenues and it is necessary to find continued efficiencies in services and programs for both FY23 and FY24.

CFAC reviewed different scenarios for budget impacts based on changes in revenue and compensation, which has historically represented over 80% of expenditures. Due to expected lower revenues and increases in compensation, there is a projected budget shortfall. CFAC does not recommend utilizing Unassigned Fund balances to cover budget shortfalls. If budget shortfalls are covered with Unassigned Fund balances, the Unassigned Fund balance will quickly move further away from CFAC's recommended 10%.

Based on current enrollment projections and current state legislative outlook, CFAC recommends budgeting for FY23 with a 2.0% increase in per student state funding and a 3% increase in wages and 3% benefits. The legislative outlook is extremely fluid, and if there are new developments to improve the budget, the District will be in a better financial position to adjust if it assumes more increase in state funding. The District is not expected to receive additional federal funding related to the new American Rescue Plan (ARP) Act beyond what has been allocated in FY22; these funds are expected to be restricted and not be available to cover budget shortfalls or increase the fund balance.

To assist with meeting budget objectives, CFAC has reviewed the revenue model to create a budget instead of the expenditure model as has been used in years past. The revenue model will assist to reimagine the District while aligning with the goals of Vision 2031. The revenue model is also expected to bring the District's average daily student membership (ADM) cost more in line with other districts.

CFAC also acknowledges the District's pension liabilities and recommends avoiding the practice of funding budget gaps using OPEB or Severance Trust Funds based on the current funded level of 79%, compared to actuarial recommended levels of 90%. Pension liabilities increased from 76% from prior year supported by re-investment of returns and funding actual premium costs.

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CFAC has conducted an overview of the current and projected financial conditions of the Hopkins School District. Our recommendations to the Hopkins School Board are based on consensus of the group to determine the underlying budget assumptions to form the budget projections for FY23 (and beyond). Hopkins is inspired by Vision 2031 which is moving the District from Great to World Class. The recommendations are based on current and near-term political and economic factors that impact the present and future financial situation of both the State of Minnesota and the Hopkins School District as well as the District's Strategic vision. Our recommendations are largely influenced by four primary conditions:

1. The outlook for any revenue increases remains pessimistic.
2. The need to reimagine the District while aligning with Vision 2031 goals.
3. Given that salary and fringe benefit costs make up 82% of the District's expenses for FY22 and beyond, any growth in this area in excess of the rate of state increases will negatively impact the financial and programmatic viability of the District over a 3 to 5 year period.
4. The District is projecting flat enrollment in FY23 with about an increase of 100 students over a five year period.

Budget Projection Model

The Budget Projection Model (BPM) that the District utilizes and that CFAC has reviewed currently has expenditure increases for 1) decreasing enrollment and 2) expenses exceeding revenues based on the assumptions provided in the areas highlighted later in the report. It should be noted that CFAC has looked at results in the BPM for both a 2% Revenue / 3%, Salary and 3% Fringe increase. All scenarios have expenses exceeding available revenue in FY23. Due to this outcome, District administration, as of this writing, will need to look at restructuring expenditures in FY23 to present a balanced budget to the School Board.

CFAC encourages the District to continue using the Budget Projection Model to monitor the 3 to 5 year projected Unassigned Fund balance and make sure it is funded adequately at a minimal $10 million, or 10% of annual operating expenses. This is higher than School Board policy of a 6% floor; however, CFAC believes this is critical to assure the District can financially support and protect the quality curriculum/program offered to its students as well as meet the Vision 2031 strategic goals.

CFAC believes the following suggestions should also be considered:

- In an era of historically flat or small increases in State revenue, the fund balance should not be used to simply cover ongoing cost increases because it will be quickly depleted.
- The District should avoid using OPEB and Severance Liability trust funds to cover the gap in the budgets.
- The District should continue to maintain the detailed BPM to show intermediate and long- term impact of different financial options.

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Analysis

Due to anticipated enrollment stagnation in FY22 and FY23, we can expect District expense growth to outpace revenue. While we start from a structurally balanced budget in FY22, to keep the budget structurally balanced going forward absent structural changes, we must have a mix of enrollment and funding increases sufficient to cover our outstanding labor commitments and the rising costs of supplies and materials. Unfortunately, we can only expect the formula amount through which we receive the bulk of our state aid to be below Consumer Price Index benchmarks. Even if enrollment were to hold steady with a slight inflation increase on basic formula allowance it is difficult to fund our existing cost structure going forward. Our BPM assumes few structural changes so the ongoing cost increases quickly begin to show themselves as annual deficits.

Predictable Staffing Model

One of the tools that has helped us engage in revenue-based budgeting is predictable staffing. The Predictable Staffing Model is used to allocate resources to schools based on standardized allocation formulas informed by total school enrollment. This is different from schools getting what they got last year and/or getting what they want based on how savvy they are with resource allocations.

General Fund Balance Reserves, Local Retirement Funding and Teacher’s Retirement Association (TRA)

General Fund Balance Reserves

The General Fund Unassigned Fund balance is the cumulative sum of the annual excess or deficiency of revenues over expenses. Any fund balance, whether Unassigned, Committed, Assigned or Restricted can only be used once, thus the reason why there is always encouragement to use fund balance for one-time expenses such as equipment, curriculum, retirement funding or emergencies. Paying for ongoing labor contract costs that exceed available revenue does not constitute an emergency.

Hopkins General Fund Unassigned Fund balance, after audited results for FY21, stands at $10,595,722, or 10.1% of FY21 total General Fund expenses. (See Appendix). District administration has communicated to CFAC that the District’s auditor stated that they would prefer to see the Unassigned Fund balance in the 8-15% range. The Board’s policy is to maintain a minimum of 6%, and CFAC continues to recommend a target level of at least 10%.

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Local District Retirement Funding

In FY21 the District continued to try to keep pace with the funding of its local retirement liabilities. The combined liability amounts for OPEB and Severance of $38.5 million based on the actuarial valuation as of 7-1-20 and the funded amount of $30.7 million equals a 79% funded level.

The District's actuarial firm recommends at least 90% funding. Further, the annual cost of one more year of service for retiree premiums and claims is approximately $2.3 million, of which the District budgets as part of fringe benefits.
CFAC believes the District should continue to strive to fund its local retirement liabilities up to the 100% level.

CFAC has the following recommendations for the School Board regarding fund balances and funding of District retirement liabilities:

- Place any annual surplus amounts into the OPEB Revocable Trust Fund and the Internal Service Fund for Severance to continue the move to a 100% funded level.
- Avoid the practice of funding budget gaps using OPEB or Severance Trust Funds.
- Cost the annual local retirement obligations into future labor contracts on an ongoing basis.

It should be noted that the Internal Service Fund for Severance is an in-house fund, therefore the dollars in this fund can be re-directed back to the General Fund, if necessary, still providing the District with emergency flexibility. Further, and importantly, the dollars in the Internal Service Fund for Severance provide cash flow for the District.

Defined Benefits Pension Plans

DEFINED BENEFIT PENSION PLANS
Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Plan Description

The District participates in the following cost sharing, multiple employers defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's and TRA's defined benefit pension plans are tax- qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Fund (TRA)

The Teacher's Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials. Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or University of Minnesota System).

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1,1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefits

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

CFAC Recommendation: CFAC recommends the Board consider striving to fund its local pension liabilities (OPEB and Severance) to the 100% level while keeping the Unassigned Fund balance at or above 10%. Using General Fund annual surpluses, if any, to fund local pension liabilities up to the 100% level is a prudent use of favorable audit results. Using General Fund reserves to fund ongoing expenses will result in a declining fund balance and can result in a downgrade of the District's bond rating, increasing interest costs to taxpayers when the District bonds for infrastructure maintenance or when the District refinances existing debt.

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Total General Fund Revenue Sources

State funding comprises 61.9% of our revenue. Another 30.6% of District revenue comes from local property taxes and other local sources including activity participation fees, gate receipts, gifts, and interest income. Federal sources comprise only 4.8% of District revenue and 2.7% comes from Other Sources. CFAC notes that the District has fully maximized its operating referendum levy authority.

CFAC Recommendation: Since the legislature has determined funding for FY22-23, CFAC is recommending budgeting assuming a 2% increase in the per pupil allowance for projection years FY22-23.

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Student Enrollment and Impact on Revenue

CFAC recommends accepting the District's enrollment assumptions. FY 2022-23 enrollment is expected to slightly increase by 148 students to 7,007 students and is projected to be flat in FY 2023-24. Enrollment is and should be monitored and the forecast adjusted annually by District personnel.

Most Minnesota school districts are experiencing declining enrollment due to demographic changes and COVID-19 pandemic impacts. In the Hopkins District there is the additional impact of choice and competition. Slight revenue increases to the per pupil formula allowance and the expected stagnant student enrollment, results in overall declining gross revenues.

Enrollment	2019	2020	2021
Bloomington	10,641	10,592	10,139
Eastern Carver County	9,829	9,896	9,485
Eden Prairie	8,899	8,826	8,606
Edina	8,510	8,445	8,348
Hopkins	6,883	6,974	6,861
Minnetonka	10,970	11,168	11,106
Orono	2,885	2,887	2,867
Richfield	4,319	4,291	4,166
St Louis Park	4,714	4,736	4,581
Wayzata	11,948	12,207	12,013

In a competitive, choice-driven environment, CFAC recognizes the investments the District is now making to stabilize enrollment as well as increase academic performance and rigor. In 2018, the District launched a community-informed innovative strategic vision. Vision 2031 is a collective vision and has been championed by students, staff, parents, and community members District-wide. Vision 2031 articulates six beliefs, six innovation drivers, and six core values. District stakeholders have been implementing the strategic action plan to operationalize a collective move to World Class. In the fall of 2021, the District introduced six system goals to anchor the strategic plan and inform school and department goal-setting. The system goals align to six leadership competencies including: Learning Leadership, Empathy Leadership, Culture Leadership, Operational Leadership, Innovation Leadership, and Equity Leadership. Because every student deserves a brilliant future, the District's instructional priorities include the following:

- Restorative practices and a focus on wellness (holistic social, emotional, and mental health) across all E-12+ sites

- Personalized learning that is anti-racist, as well as concept- and inquiry-based across all E-12+ classrooms
- Language Immersion including Chinese and Spanish
- School-based programs including Outdoor Immersion, Project Based Learning, multiage classrooms, and Blended Learning
- VirtualEDU
- Collaborative Lab School
- Early childhood and preschool investments and learning
- Strengthened Career Technical Education pathways at Hopkins High School
- International Baccalaureate (IB) at both Junior High schools
- Implementing start time recommendations for the 2022-23 school year to allow secondary students to begin school later in the morning, and invite elementary school students earlier in the morning
- Implementing 6th and 9th grade placements in the middle schools and high school beginning in the 2023-24 school year

CFAC Recommendation: Based upon the enrollment analysis and assumptions presented, CFAC supports the administration's recommendation for projecting enrollment for FY23 to FY27. It is also further recommended that enrollment projections and underlying assumptions continue to be updated on an annual basis. Further, CFAC recommends the District continue its strategic efforts to retain students and grow enrollment.

Total General Fund Summary

Fund Balance – The School's General Fund Unassigned Fund balance increased by $2,591,193 ending at $10,595,722 as of June 30, 2021. Total fund balance of the General Fund increased by $4,508,910, ending at $20,091,289 as of June 30, 2021. The ending Unassigned Fund balance represents 10.1% (last year 7.8%) of General Fund expenditures. A District's fund balance in the General Fund is an important aspect in considering the School's financial well-being since a healthy fund balance represents a strong cash flow, which can be used as a cushion against unanticipated expenditures, enrollment declines, funding deficiencies, and aid prorations at the state level and similar problems.

Budget to Actual – Total revenues in the General Fund were 1,254,748 (or 1.1%) higher than the final amended budget amount while total expenditures were $2,248,762 (or 2.11%) less than had been budgeted. Total General Fund Expenditures increased $2,318,511 or 2.3% from the previous year. The major factor driving the increase from 2019-20 to 2020-21 was an increase in Employee Benefits (12%), Supplies and Material (8%), Capital Expenditures (221%) and Other Miscellaneous Expenses (42%).

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Salary and Fringe Benefit Expenses

School districts are labor intensive, with 80-85% (81% on an actual basis for Hopkins in FY21) of their expenses for salaries and benefits.

CFAC Recommendation: Estimated contract increases for all bargaining groups are factored into the Budget Projection Model for FY22 through FY23 that CFAC has reviewed at a rate of 3.0% for salaries and benefits, along with other scenarios that are higher and lower.

This estimate of 3.0% will result in expenses exceeding revenues in FY22-23. Due to lower inflation increases and flat enrolment projections the District revenue and expenditure will see a negative shift for FY23 and FY24 that shift will be unsustainable. It should be noted that to achieve a balanced budget the District will need to restructure.

In FY21 the Fringe Benefits were budgeted at 34% of compensation. In FY22 we budgeted our Fringe Benefits at 36% of compensation and increasing the Fringe Benefits to 39% of compensation in FY23 will align us closer to what the District is expending on Fringe Benefits.

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Other Costs

CFAC recognizes the amount of cost efficiencies that the District has implemented in the past. The District has now finalized implementing more energy efficient lighting in all District buildings.

The implementation of the contract for participation in a solar project at the High School and West Junior High as a way to mitigate some of the future electric rate increases is in its final stage. The District has also been automating some of the Procurement and Purchasing processes as well as work with vendor in price negotiations and strategic sourcing which will save costs in the long run.

CFAC Recommendation: CFAC recommends continuing to look for ways to bring additional efficiencies to control other costs. For budgeting purposes, after looking at the last five years of expenses and the Consumer Price Index (CPI) for Inflation, CFAC recommends projecting a 7% increase for Purchased Services, a 5% increase for utility and transportation costs, and a 7% increase for supply costs for FY23. CFAC also recommends that the District continue to enhance the Predictable Staffing Model and standardize staffing in the buildings.

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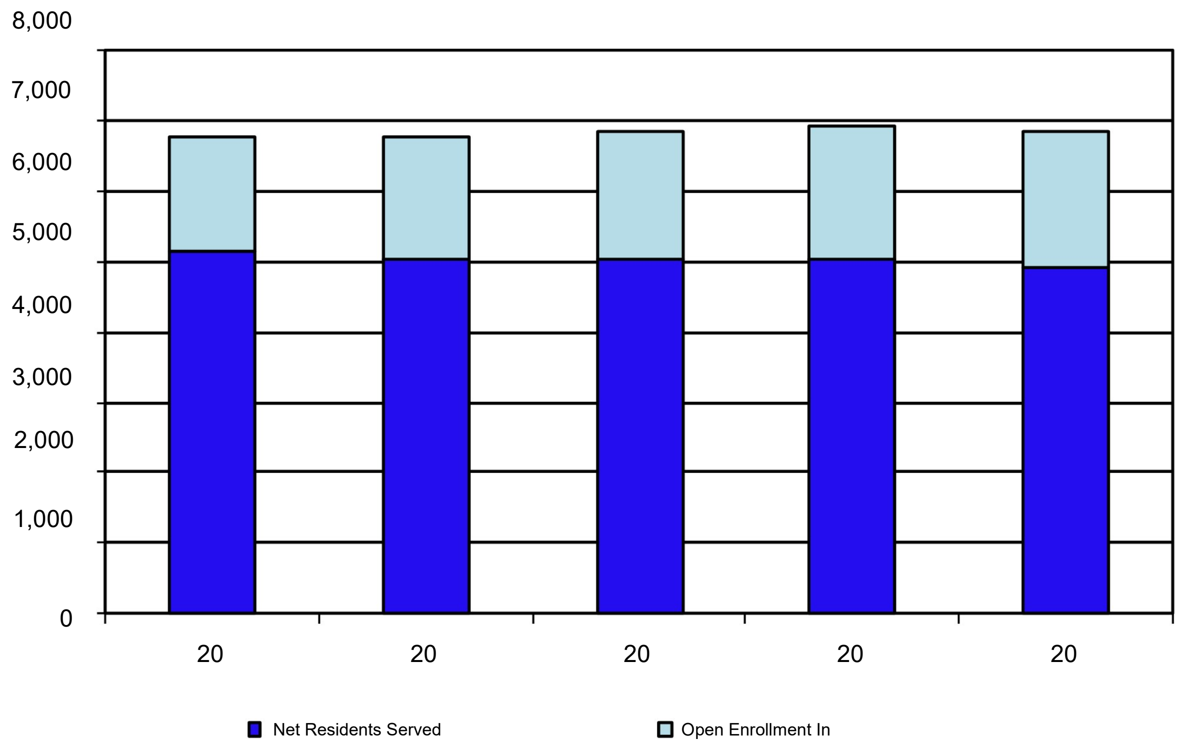
Students Served for Aid

	2017	2018	2019	2020	2021
Total Residents	6,994.68	7,003.99	7,070.99	7,103.30	7,002.06
Open Enrollment Out	(1,421.15)	(1,475.69)	(1,504.45)	(1,536.92)	(1,558.92)
Charter Schools Out	(447.03)	(511.47)	(534.68)	(521.38)	(534.84)
Net Residents Served	5,126.50	5,016.83	5,031.86	5,045.00	4,908.30
Open Enrollment In	1,652.39	1,753.30	1,795.21	1,868.70	1,950.56
Net ADM Served	6,778.89	6,770.13	6,827.07	6,913.70	6,858.86
Net Pupil Units Served	7,429.09	7,428.60	7,484.27	7,563.73	7,518.28

HOPKINS PUBLIC SCHOOLS
Student Enrollment for Aid (in ADMs)



Beginning in fiscal 2013, the District had more resident students attend elsewhere, including charter schools, than non-residents opting to attend the District.

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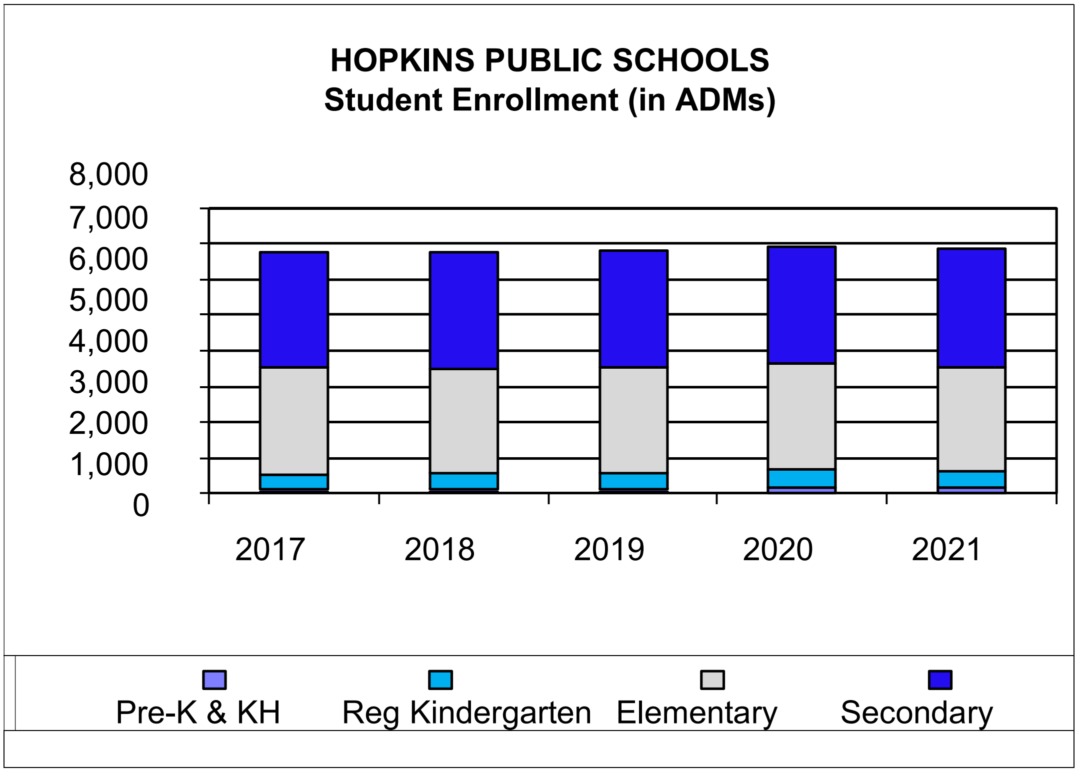
FINANCIAL TRENDS

Student Enrollment



	2017	2018	2019	2020	2021
Pre-K & KH	110.70	120.03	133.02	176.14	151.59
Reg Kindergarten	425.27	448.38	455.36	495.58	460.46
Elementary	2,991.90	2,909.26	2,952.53	2,991.80	2,949.82
Secondary	3,251.02	3,292.46	3,286.16	3,250.18	3,296.99
Net ADM Served	6,778.89	6,770.13	6,827.07	6,913.70	6,858.86
Percent Change	-2.12%	-0.13%	0.84%	1.27%	-0.79%

As noted in the above chart, the District's student count for fiscal 2020-21 was 54.84 students (or 0.79%) less than for the prior year.

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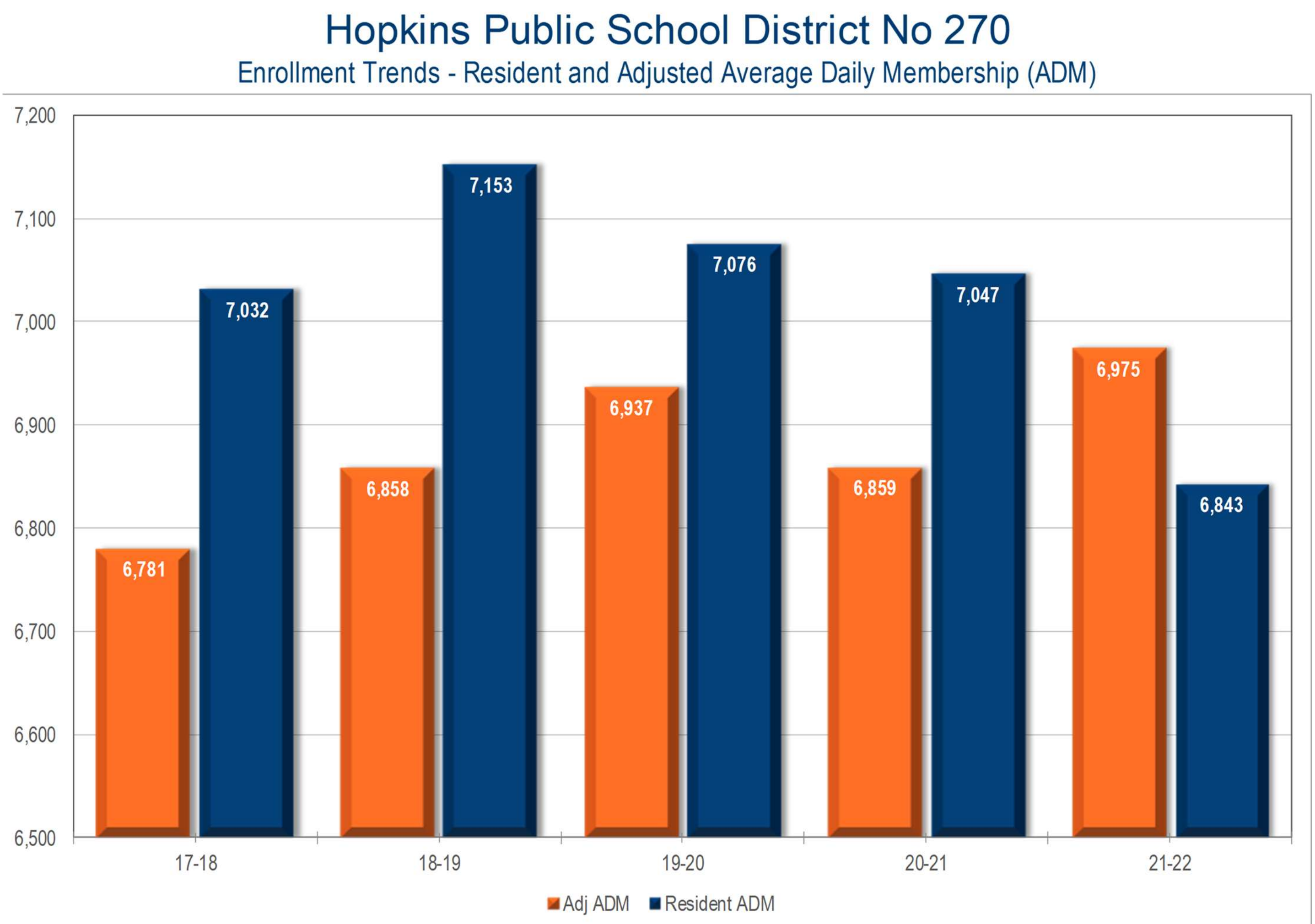

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Fund Balances

HOPKINS PUBLIC SCHOOLS
AUDITED FUND BALANCES THROUGH JUNE 30, 2021

FUND DESCRIPTION	6/30/2020 AUDITED BALANCE	2020-21 AUDITED REVENUES	TRANSFERS INTO FUNDS	2020-21 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2021 AUDITED BALANCE
GENERAL FUND						
A. UNASSIGNED - OPERATING	**$8,004,529**	**$88,802,855**	**$0**	**$83,196,031**	**$3,015,631**	**$10,595,722**
B. NONSPENDABLE FOR						
PREPAID ITEMS	$166,283	$141,470		$166,283		$141,470
INVENTORY	$87,108	$120,021		$87,108		$120,021
TOTAL NONSPENDABLE	$253,391	$261,491	$0	$253,391	$0	$261,491
C. ASSIGNED FOR						
SPECIAL PROJECTS	$220,102	$0		$220,102		$0
ENROLLMENT CONTINGENCY	$1,000,000	$1,000,000		$0		$2,000,000
BUILDING RENOVATION	$482,899	$331,125		$0		$814,024
BUILDING FUND CLEANUP	$0	$1,000,000		$0		$1,000,000
STRATEGIC VISIONING 2031	$235,676	$1,364,324		$0		$1,600,000
TOTAL ASSIGNED	$1,938,677	$3,695,449	$0	$220,102	$0	$5,414,024
D. RESTRICTED FOR						
STUDENT ACTIVITIES	$233,191	$50,299		$54,442		$229,048
SCHOLARSHIPS	$0	$28,919		$0		$28,919
MEDICAL ASSISTANCE	$839,879	$485,916		$255,750		$1,070,045
ACHIEVEMENT & INTEGRATION	$0	$986,200	$277,716	$1,263,916	$0	$0
GIFTED AND TALENTED	$0	$155,628	$899,441	$1,055,069	$0	$0
CAREER AND TECHNICAL PROGRAMS	$0	$169,508	$515,225	$684,733	$0	$0
SAFE SCHOOLS PROGRAMS	$119,933	$370,302		$270,364		$219,871
STAFF DEVELOPMENT	$243,566	$987,650		$449,299		$781,917
LEARNING AND DEVELOPMENT	$18,468	$1,475,748		$1,475,748		$18,468
BASIC SKILLS	$0	$4,038,973	$1,323,249	$5,362,222	$0	$0
OPERATING CAPITAL	$2,168,336	$1,756,058		$2,118,013		$1,806,381
LONG-TERM FACILITIES MAINT (LTFM)	$639,328	$2,454,776		$3,116,925		($22,821)
CAPITAL PROJECT LEVY	($935,286)	$5,665,892		$5,042,382		($311,776)
TOTAL RESTRICTED	$3,327,415	$18,625,869	$3,015,631	$21,148,863	$0	$3,820,052
BUDGET		$110,130,916		$108,072,549		$15,582,379
TOTAL GENERAL FUND	**$13,524,012**	**$111,385,664**	**$3,015,631**	**$104,818,387**	**$3,015,631**	**$20,091,289**
DIFFERENCE		$1,254,748		($238,531)		$4,508,910
% VARIANCE		1.14%		-0.22%		

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Fund Balances (Continued)

HOPKINS PUBLIC SCHOOLS

AUDITED FUND BALANCES THROUGH JUNE 30, 2021

FUND DESCRIPTION	6/30/2020 AUDITED BALANCE	2020-21 AUDITED REVENUES	TRANSFERS INTO FUNDS	2020-21 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/2021 AUDITED BALANCE
FOOD SERVICE						
NONSPENDABLE FOR PREPAID ITEMS	$312	$0		$312		$0
NONSPENDABLE FOR INVENTORY	$177,701	$133,839		$177,701		$133,839
RESTRICTED FOR FOOD SERVICE PROGRAM	$797,712	$3,367,897		$3,446,577		$719,032
BUDGET		$3,248,362		$3,279,377		$944,710
TOTAL FOOD SERVICE	**$975,725**	**$3,501,736**	**$0**	**$3,624,590**	**$0**	**$852,871**
DIFFERENCE		$253,374		$345,213		($91,839)
% VARIANCE		7.80%		10.53%		
COMMUNITY EDUCATION						
NONSPENDABLE FOR PREPAID ITEMS	$2,186	$0		$2,186		$0
RESTRICTED FOR REGULAR COMMUNITY ED	$810,808	$5,527,730		$5,368,034		$970,504
RESTRICTED FOR EARLY CHILDHOOD FAMILY ED	$297,551	$610,816		$647,670		$260,697
RESTRICTED FOR SCHOOL READINESS	$27,990	$307,006		$293,058		$41,938
RESTRICTED FOR ADULT BASIC EDUCATION	$736	$1,210,572		$1,121,347		$89,961
RESTRICTED FOR NONPUBLIC PUPIL AID	$0	$541,841		$517,637		$24,204
BUDGET		$7,875,423		$7,872,593		$1,142,101
TOTAL COMMUNITY EDUCATION	**$1,139,271**	**$8,197,965**	**$0**	**$7,949,932**	**$0**	**$1,387,304**
DIFFERENCE		$322,542		$77,339		$245,203
% VARIANCE		4.10%		0.98%		
BUILDING CONSTRUCTION FUND						
NONSPENDABLE FOR PREPAID ITEMS	$262,693	$357,238		$262,693		$357,238
RESTRICTED FOR LONG-TERM FAC MAINT (LTFM)	($730,501)	$15,578,362		$5,207,533		$9,640,328
RESTRICTED FOR REFERENDUM PROJECTS	$780,421	($355,957)		$424,464		$0
RESTRICTED FOR CAPITAL PROJECTS LEVY	$3,443,929	$2,344,905		$1,815,890		$3,972,944
RESTRICTED FOR FY17 CAPITAL PROJECTS LEVY						
SCHOOL NUTRITION KITCHEN IMPROVEMENTS	($3,149,573)	$3,164,372		$14,799		$0
BUDGET		$16,674,317		$16,585,433		$695,853
TOTAL BUILDING FUND	**$606,969**	**$21,088,920**	**$0**	**$7,725,379**	**$0**	**$13,970,510**
DIFFERENCE		$4,414,603		($8,860,054)		$13,274,657
% VARIANCE		26.48%		-53.42%		
DEBT SERVICE						
RESTRICTED FOR OPEB DEBT SERVICE	$951,047	$0		$951,047		$0
RESTRICTED FOR DEBT SERVICE	$2,208,519	$48,762,981		$46,866,396		$4,105,104
BUDGET		$46,855,675		$46,863,783		$3,151,458
TOTAL DEBT SERVICE	**$3,159,566**	**$48,762,981**	**$0**	**$47,817,443**	**$0**	**$4,105,104**
DIFFERENCE		$1,907,306		$953,660		$953,646
% VARIANCE		4.07%		2.03%		
PROPRIETARY AND CUSTODIAL						
INTERNAL SERVICE FUND - OPEB REVOC TRUST	$19,059,723	$147,218		$125,965		$19,080,976
INTERNAL SERVICE FUND - SEVERANCE	$9,774,704	$1,857,359		$0		$11,632,063
INTERNAL SERVICE FUND - SELF-INSURANCE	$3,873,417	$11,423,441		$12,187,046		$3,109,812
TOTAL OTHER FUNDS	**$32,733,209**	**$13,428,018**	**$0**	**$12,338,376**	**$0**	**$33,822,851**

Citizen’s Financial Advisory Committee

Committee 2022-23 Budget Recommendations to the School Board February 8, 2022

General Fund Operations and Financial Position

The following table presents five years of comparative operating results for the District’s General Fund.

	2017	2018	2019	2020	2021
Revenues	$ 93,928,751	$ 96,438,651	$ 99,698,593	$ 103,819,947	$ 111,385,664
Expenditures	89,887,513	96,846,184	101,158,221	102,499,876	104,818,387
Excess of Revenues Over Expenditures	4,041,238	(407,533)	(1,459,628)	1,320,071	6,567,277
Other Financing Sources (Uses):					
Sale of Equipment Proceeds	-	-	31,500	200	-
Insurance Recovery Proceeds	-	17,862	42,066	-	-
Transfers In	-	-	2,100,416	1,042,509	-
Transfers (Out)	(3,361,612)	(2,137,175)	(1,050,000)	-	-
Total Other Financing Sources (Uses)	(3,361,612)	(2,119,313)	1,123,982	1,042,709	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	679,626	(2,526,846)	(335,646)	2,362,780	6,567,277
Fund Balance:					
Beginning of Year	13,344,098	14,023,724	11,496,878	11,161,232	13,524,012
End of Year	$ 14,023,724	$ 11,496,878	$ 11,161,232	$ 13,524,012	$ 20,091,289
Nonspendable Fund Balance	$ 559,320	$ 241,888	$ 284,935	$ 253,391	$ 261,491
Restricted Fund Balance	2,738,192	1,163,529	1,721,160	3,327,415	3,820,052
Committed Fund Balance	-	-	-	-	-
Assigned Fund Balance	2,041,810	1,407,061	1,407,061	1,638,677	5,414,024
Unassigned Fund Balance	8,684,402	8,684,400	7,748,076	8,004,529	10,595,722
Total Fund Balance	$ 14,023,724	$ 11,496,878	$ 11,161,232	$ 13,224,012	$ 20,091,289

The District’s General Fund had an excess of revenue and other financing sources over expenditures other financing uses of $6,567,277 for fiscal 2021, bringing total fund balance to $20,091,289 at June 30, 2021. Total fund balance includes $10,595,722 in Unassigned fund balance which represents 10.11% of General Fund expenditures.

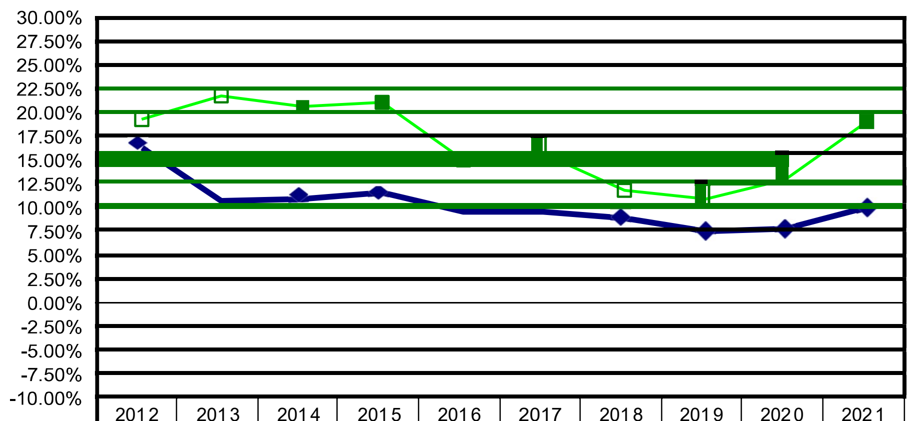
Citizen’s Financial Advisory Committee

Committee 2022-23 Budget Recommendations to the School Board February 8, 2022

General Fund Operations and Financial Position (Continued)

As a percentage of annual expenditures:

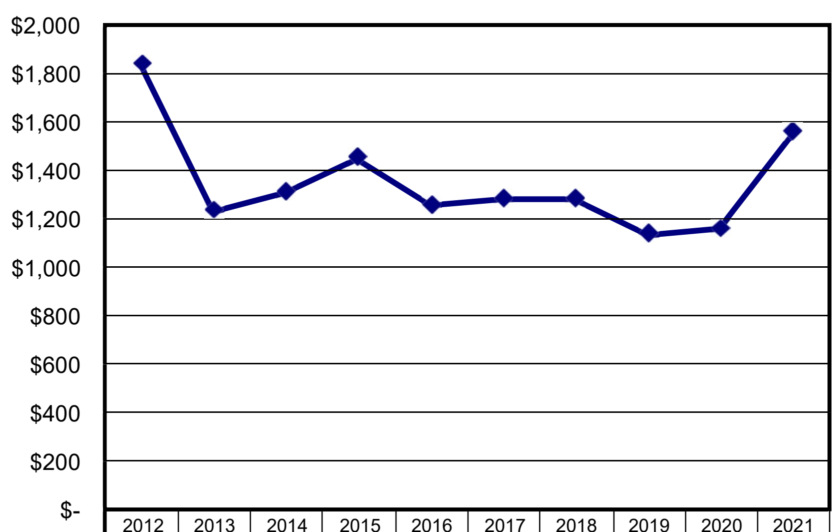
Fund Balance as a Percent of Expenditures in the General Fund



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Unassigned Fund Balance	16.47%	10.66%	11.08%	11.73%	9.72%	9.66%	8.97%	7.66%	7.81%	10.11%
Total Fund Balance	19.40%	21.74%	20.66%	21.01%	14.93%	15.60%	11.87%	11.03%	13.11%	19.17%

Per student served for aid.

General Fund Unassigned Fund Balance Per ADM for Aid



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fund Balance Per ADM	$1,833	$1,227	$1,310	$1,452	$1,254	$1,281	$1,283	$1,135	$1,158	$1,545

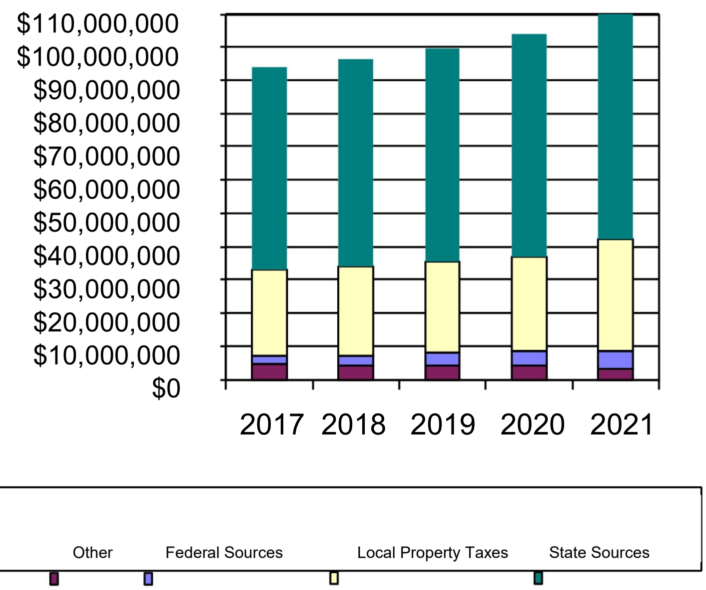
Citizen's Financial Advisory Committee

Committee 2022-23 Budget Recommendations to the School Board February 8, 2022

General Fund Revenue

The following table and graph summarize the District's General Fund revenue sources for the last five years.

HOPKINS PUBLIC SCHOOLS
General Fund Revenue



The table below illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. For this and other reasons, school finance in Minnesota continues to be a very difficult subject to explain to the general public.

	2017	2018	2019	2020	2021
Local Property Taxes	$ 25,608,340	$ 27,058,222	$ 27,698,676	$ 28,680,573	$ 34,065,164
State Sources	61,072,518	62,224,846	63,985,373	66,790,032	68,989,978
Federal Sources	2,775,987	2,935,205	3,891,693	3,983,390	5,304,497
Other	4,471,906	4,220,378	4,122,851	4,365,952	3,026,025
Total Revenues	$ 93,928,751	$ 96,438,651	$ 99,698,593	$ 103,819,947	$ 111,385,664

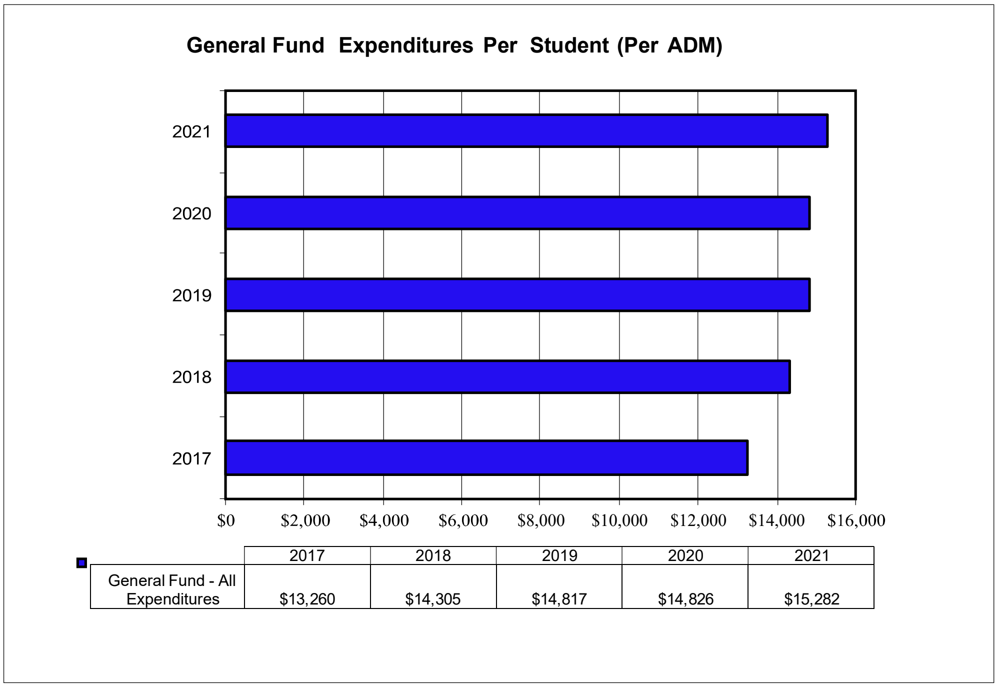
	2017	2018	2019	2020	2021
Local Property Taxes	27.3%	28.1%	27.8%	27.6%	30.6%
State Sources	65.0%	64.5%	64.2%	64.3%	61.9%
Federal Sources	3.0%	3.0%	3.9%	3.9%	4.8%
Other	4.8%	4.4%	4.1%	4.2%	2.7%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Citizen’s Financial Advisory Committee

Committee 2022-23 Budget Recommendations to the School Board February 8, 2022

Expenditures Per Student

Expenditures per student (average daily membership) are summarized in the following graph.

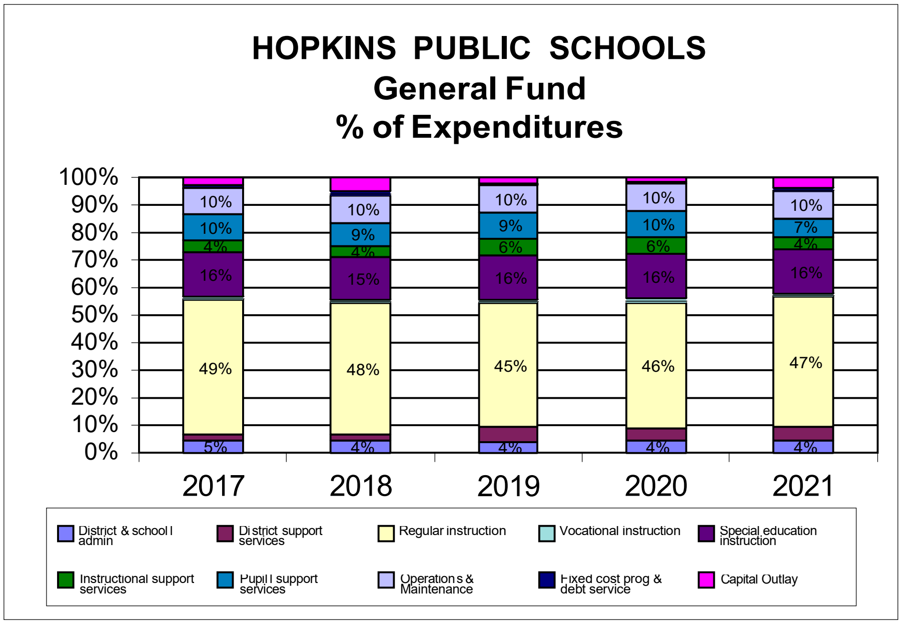


General Fund Expenditures for fiscal 2021 were $104,818,387, which represents an increase of $2,318,511 or 2.26% from fiscal 2020.

Citizen's Financial Advisory Committee

Committee 2022-23 Budget Recommendations to the School Board February 8, 2022

The following schedule shows total expenditures of the General Fund by program type:



	2017	2018	2019	2020	2021
District and School Admin	$ 4,138,586	$ 4,179,572	$ 4,158,956	$ 4,379,882	$ 4,657,568
District Support Services	1,846,598	2,311,373	5,215,768	4,796,570	5,453,766
Regular Instruction	43,862,824	46,274,076	45,690,309	46,990,453	49,511,174
Vocational Instruction	1,314,391	1,279,959	1,297,841	1,316,860	971,954
Special Education Instruction	14,606,775	14,992,720	16,240,938	16,639,136	16,923,828
Instructional Support Services	3,599,280	3,604,288	6,476,852	6,236,585	4,612,424
Pupil Support Services	8,585,842	8,310,271	9,352,041	9,947,366	7,371,151
Operations and Maintenance	8,740,145	9,746,626	10,008,457	10,245,095	10,360,119
Capital Outlay	2,197,569	4,756,591	2,023,895	1,288,277	4,131,076
Fixed Cost Prog and Debt Service	995,503	1,390,708	693,164	659,652	825,327
Total Expenditures	$ 89,887,513	$ 96,846,184	$ 101,158,221	$ 102,499,876	$ 104,818,387

The following chart summarizes District General Fund expenditures by object type.

	2021				2020	2019
	Budget	Actual	Budget	%	Actual	Actual
Salaries	$ 67,890,596	$ 63,195,290	$ (4,695,306)	(6.9)%	$ 63,745,378	$ 61,605,777
Employee Benefits	22,332,854	21,546,152	(786,702)	(3.5)	19,221,707	18,478,019
Purchased Services	11,903,931	12,430,903	526,972	4.4	15,114,712	15,533,142
Supplies and Materials	2,544,909	2,403,923	(140,986)	(5.5)	2,224,856	2,364,851
Capital Expenditures	1,549,020	4,131,076	2,582,056	166.7	1,288,277	2,023,895
Other Expenditures	845,839	1,111,043	265,204	31.4	904,946	1,152,537
Total Expenditures	$ 107,067,149	$ 104,818,387	$ (2,248,762)	(2.1)%	$ 102,499,876	$ 101,158,221

The variances by object dimension are fairly well spread throughout the fund. Note that total expenditures were 2.1% lower than the final amended budget.

Citizen's Financial Advisory Committee

Committee 2022-23 Budget Recommendations to the School Board February 8, 2022

Food Service Fund

The following chart reflects the growth of the food service program over the past five years:

	Year Ended June 30				
	2017	2018	2019	2020	2021
Revenues	$ 4,473,766	$ 4,190,265	$ 4,063,943	$ 4,973,555	$ 3,493,767
Expenditures	4,193,995	4,173,657	4,216,025	4,593,289	3,624,590
Excess of Revenues Over Expenditures	279,771	16,608	(152,082)	380,266	(130,823)
Other Financing Sources:					
Sale of Equipment Proceeds	1,000	250	-	1,800	4,500
Insurance Recovery	-	-	6,627	-	3,469
Total Other Financing Sources	1,000	250	6,627	1,800	7,969
Excess of Revenues and Other Financing Sources Over Expenditures	280,771	16,858	(145,455)	382,066	(122,854)
Fund Balance					
Beginning of Year	441,485	722,256	739,114	593,659	975,725
End of Year	$ 722,256	$ 739,114	$ 593,659	$ 975,725	$ 852,871

Total expenditures exceeded revenues and other financing sources in the District's Food Service Fund by $122,854 for 2021, resulting in an ending fund balance of $852,871 at June 30, 2021. Total actual revenue was higher than the budgeted amount by $254,981. Total expenditures were higher than the budgeted amount by $345,213. The net impact of these variances and other financing sources resulted in the fund balance of the Food Service Fund being $91,839 lower than anticipated at year-end.

Citizen's Financial Advisory Committee

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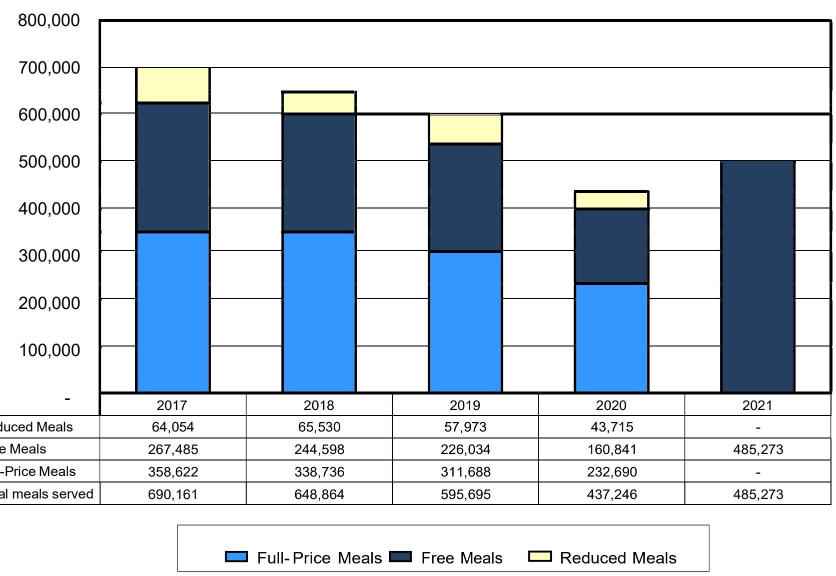
The following chart reflects the number and type of meals served to students over the past five years:

MEALS SERVED TO STUDENTS



	2017	2018	2019	2020	2021
Reduced Meals	64,054	65,530	57,973	43,715	-
Free Meals	267,485	244,598	226,034	160,841	485,273
Full-Price Meals	358,622	338,736	311,688	232,690	-
Total meals served	690,161	648,864	595,695	437,246	485,273

Citizen's Financial Advisory Committee

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Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund:

	Year Ended June 30, 2019				
	2017	2018	2019	2020	2021
Revenues	$ 9,579,119	$ 9,582,158	$ 10,614,155	$ 9,596,820	$ 8,197,965
Expenditures	9,415,074	9,742,691	10,875,371	10,662,914	7,949,932
Excess (Deficiency) of Revenues Over (Under) Expenditures	164,045	(160,533)	(261,216)	(1,066,094)	248,033
Other Financing Sources:					
Transfers In	250,000	250,000	250,000	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	414,045	89,467	(11,216)	(1,066,094)	248,033
Fund Balance:					
Beginning of Year	1,713,069	2,127,114	2,216,581	2,205,365	1,139,271
End of Year	$ 2,127,114	$ 2,216,581	$ 2,205,365	$ 1,139,271	$ 1,387,304
Fund Balance:					
Nonspendable for Prepaid Items	$ 4,047	$ -	$ -	$ 2,186	$ -
Restricted for Community Ed	1,670,241	1,722,878	1,731,773	701,735	970,504
Restricted for ECFE	223,074	294,674	281,895	297,551	260,697
Restricted for School Readiness	49,995	5,777	12,735	27,990	41,938
Restricted for Adult Basic Education	37,790	52,538	37,425	735	89,961
Restricted for Other Purposes	141,967	140,714	141,537	-	24,204
Total Fund Balance	$ 2,127,114	$ 2,216,581	$ 2,205,365	$ 1,030,197	$ 1,387,304

The District's Community Service Fund had revenues over expenditures of $248,033 for fiscal 2021, bringing the combined fund balance to $1,387,304 at June 30, 2021. The District has done a good job of exercising control over the costs of programs and the fees being charged in order to ensure that programs are self-sustaining.

Total revenues of the District's Community Service Fund for 2021 were $322,542 higher than the budgeted amount while total expenditures were over budget by $77,339. The net impact of these variances along with other financing sources resulted in the fund balance of the Community Service Fund being $245,203 higher than anticipated at year-end.

Citizen’s Financial Advisory Committee

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The table below reflects the comparative data available from the Minnesota Department of Education for all expenditures incurred for the benefit of pre-elementary through secondary education, except expendable trust fund activity.

	Statewide			ISD No. 270		
	All Districts	Seven-county Metro Area	Enrollment > than 4,000	Hopkins		
	2020	2020	2020	2019	2020	2021
District and School Admin and Support Services	$ 1,154	$ 1,100	$ 1,049	$ 1,373	$ 1,327	$1,474
Regular Instruction (including Co- & Extra-Curricular)	5,830	6,231	6,033	6,693	6,797	7,219
Vocational Instruction (Career & Technical)	174	171	174	190	190	142
Special Education Instruction	2,510	2,626	2,664	2,379	2,407	2,467
Instructional Support Services	662	787	769	949	902	672
Pupil Support Services (Including Transportation)	1,205	1,317	1,272	1,370	1,439	1,048
Operations and Maintenance and Other	941	910	910	1,507	1,517	1,570
Total Instruction, Support Services, and Operations/Maintenance	12,476	13,142	12,871	14,460	14,579	14,593
Food Service	554	548	543	611	631	518
Community Service	622	774	733	1,569	1,519	1,184
Capital Expenditure	838	717	715	326	243	614
Debt Service	1,345	1,472	1,440	5,559	2,565	2,606
Total Pre-K - 12 Operating Expenditures Before OPEB	$ 15,835	$ 16,653	$ 16,302	$ 22,526	$ 19,538	$ 19,515
Percent Change from Prior Year				22.24%	-13.27%	-0.11%

Source of Statewide Data: School District Profiles published by the Dept. of Education

- District and school admin and support services - all costs related to providing administration to the District (school board, superintendent, principals, assistant superintendents, directors of instructional areas, etc.) and all central office administration (business services, human resources, legal, data processing, other district-wide support activities)
- Regular instruction - includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities and the interaction between teachers and pupils in the classroom (excluding exceptional, vocational and community education instruction) and includes activities of aides or assistants of any type (paraprofessionals, clerks, graders, etc.) who assist in the educational process, except spec ed aides
- Vocational instruction - consists of costs related to courses and activities which develop knowledge, skills, attitudes and behavioral characteristics for students seeking career exploration and employability
- Special education instruction - consists of activities providing learning experiences for pupils of any age, who because of certain atypical characteristics or conditions, have been identified as requiring, or who would benefit by, educational programs differentiated from those provided pupils in regular or vocational instruction

- Instructional support services - activities for assisting instructional staff with content and process of providing learning experiences for pupils in K-12 (curriculum, staff dev, educ media, libraries and media centers, etc.)
- Pupil support services - all services to pupils not classified as instructional (counseling and guidance, health services, psychological services, social work, pupil transportation and safety, etc.)
- Operations and maintenance - activities related to the operation, maintenance, repair and remodeling of all physical plant, facilities and grounds of the District Food service - all costs of the Food Service Fund
- Community service - all costs of the Community Service Fund
- Capital expenditures - all capital expenditures charged to operating funds
- Debt service - all Debt Service Fund costs (principal, interest and fiscal agent costs)

Citizen's Financial Advisory Committee

Committee 2022-23 Budget Recommendations to the School Board February 8, 2022

LEGISLATIVE ACTIVITY

What follows are some education-related highlights of the 2021 legislative sessions as summarized from information made available by the Minnesota Department of Education, the Minnesota School Boards Association, and the Minnesota House of Representatives.

General Education

The General Education Revenue formula allowance was increased by 2.45% (by $161 per pupil unit to $6,728) for fiscal year 2022 and by another 2% (by $296 per pupil unit to $6,863) for fiscal year 2023 and later.

English Learner Cross-Subsidy Reduction Aid

Additional statewide, supplemental aid (not on the formula) is provided for four years only to English learners. The aid is increased by $2 million per year for fiscal years 2022, 2023, 2024, and 2025. The aid must be allocated to school districts and charter schools proportionate to their English learner revenue.

Special Education Cross-Subsidy Aid

A one-time special education cross-subsidy aid is provided for each school district equal the ratio of the school district's initial special education cross-subsidy in fiscal year 2021 to the total initial special education cross-subsidy for all districts in that year.

Early Education

The 4,000-voluntary prekindergarten/school readiness plus seats program was extended for two years that would have otherwise expired. For fiscal years 2022 and 2023 only. Makes no policy changes to the administration of VPK or SR+.

Local Optional Revenue

Increases local optional aid (and correspondingly lowers the local optional levy) for fiscal year 2023 only by setting the second-tier equalizing factor at $548,842 per pupil unit. Lowers the equalizing factor back to $510,000 for fiscal yar 2024 and later.

Teacher Mentoring Programs

School districts are required to develop teacher mentoring programs. Requires districts to use staff development revenue (2% of basic revenue) for teacher mentorship under MN statute 122A.70, subdivision 1. Current law requires revenue to be used for this purpose only if extra funds remain after being used for other purposes.

Special Education Recovery Services and Supports

To address the impact of learning disruptions due to COVID-19, a school district or charter school is required to invite the parents of a student with a disability to a meeting of each individualized education program team as soon as practicable, to determine whether special education services and supports are necessary to address the lack of progress on IEP goals or in the general education curriculum. The services and supports may include extended school year services, additional IEP services, compensatory services, or other appropriate services. Requires services and supports be included in the IEP of the student. The school district or charter school is required to report to the commissioner the services and supports provided to students with disabilities under this section, including the cost. Allows a school district or charter school to use federal funds to comply with this section.

Mental Health Education for Teachers

Suicide and self-harm prevention training must be accessible to teachers in every school district, charter school, Intermediate school districts, service cooperative and tribal schools in Minnesota.