



# St. Louis Park Public Schools

## 2023-24 Finance Advisory Committee Budget and Fiscal Recommendations to Superintendent Osei

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February 28, 2023  
**Executive Summary**

The Financial Advisory Committee (FAC) is designed to advise administration and the school board on economic and school finance issues and to build community trust in district finances. The Committee has formally met five times this year, with one more meeting scheduled in March. The FAC also held 7 optional weekly meetings in January and February to finalize budget recommendations and prepare this report.

In order to arrive at recommendations for fiscal actions and budget assumptions, the Committee focused on the following information:

- Current Unassigned General Fund Balance
- Current student enrollment and enrollment model projections
- Past, current and projected per student funding from the State
- Economic outlook for State and other factors likely to impact the District's financial health
- Understanding why families choose St. Louis Park Public Schools
- Current student fees and enrollment as compared to neighboring districts

The Committee's recommendations to the Superintendent reflect a general consensus of its members regarding the underlying assumptions for the 2023-2024 (FY2024) budget. These recommendations are informed by four primary conditions that drive the school district budget:

1. **State Economy** - Minnesota's economic outlook has improved. It appears likely that the 2023 legislative session will result in a significant and historic investment in public education. If additional funding is provided, it should be used to balance the budget and maintain fund balance reserves.
2. **Cost Structure** - Because the cost structure of the district's General Fund (not restricted for capital-related purposes) is approximately 85% human resources (salary and benefit costs) and the current employment market is highly competitive. As a result, expenses will quickly outpace the rate of state increases, which will continue to threaten the financial and programmatic viability of the District.
3. **Student Enrollment** - District enrollment has continued to lag behind pre-pandemic levels. There was a leveling of enrollment in FY2022, likely due to students returning following the 2020 pandemic. In FY2023 enrollment lags behind pre-pandemic levels, particularly in Kindergarten. The FAC reviewed three articles (linked below) that discuss this as a nation-wide phenomenon.
  - a. [Schools are Heading into the Perfect Financial Storm](#) (Mark Lieberman, Education Week, February 2, 2023)
  - b. [COVID school enrollment shows thousands of missing kids, homeschooling](#) (Bianca Vázquez Toness and Sharon Lurye, Associated Press, February 9, 2023)
  - c. [COVID exodus: Where did 1 million public school students go? New data sheds some light](#) Patrick Wall, Chalkbeat, February 8, 2023)
4. **New/Rising Costs** - New initiatives or rising costs associated with infrastructure needs (i.e. transportation services, utilities) will erode available resources. Efficiency measures must be an intricate part of the district's work. Potentially reducing future costs in operational areas through energy efficient construction and streamlined service models is essential.

Based on its review, the Committee presents the following fiscal and budget assumption recommendations to the Superintendent. These are discussed in greater detail in this report.

**FY2024 Budget Recommendations:**

1. **Fund Balance Minimum** - Within revenue constraints, build an expenditure budget that maintains an unreserved fund balance of 8%
2. **General Education Funding Formula** - 2% increase in per pupil formula, with excess beyond this assumption be held to provide fund balance capacity to balance future budgets and avoid budget cuts
3. **Student Enrollment** - 4,352 K-12th grade adjusted pupil units (APU), with potential for increased enrollment if efforts to regain student capture rate are successful
4. **Maintain local revenue** - Increase local revenue to align with comparable districts. This includes student fees in the General Fund and meal prices in the School Nutrition Fund.
5. **Standardize club/activities structure** - middle and high school clubs and activities do not have standardized structures for student fees, adult advisor support, and general fund support.

#### **Fiscal Recommendations:**

- **Balanced budget** - The District is currently projected to deficit spend for FY2023 in the amount of \$2.5 million and should strive to return to a balanced budget. The District should find a fiscal solution to ensure it can maintain a prudent fund balance into the future.
- **Manage expense increases** - Focus on managing expenses, through cost saving and efficiency measures, to minimize erosion of the General Fund Balance.
- **Grow enrollment** - Focus significant effort to recruit and retain resident students.

#### **FAC Conclusion**

The District, with a General Fund Unassigned balance of \$6.8 million, approximately 10.24% of FY2022 unassigned operating expenditures, has a deteriorating financial condition. Continued deficit spending will rapidly erode the Fund Balance below board policy levels. The General Fund Balance represents one-time funding and should not be used to pay for ongoing costs.

The 2023 Session of the Legislature is a funding session. While it appears clear that the Legislature is poised to make a significant investment in public education, the FAC recommends that the district refrain from increases in spending associated with funding beyond the 2% budget assumption.

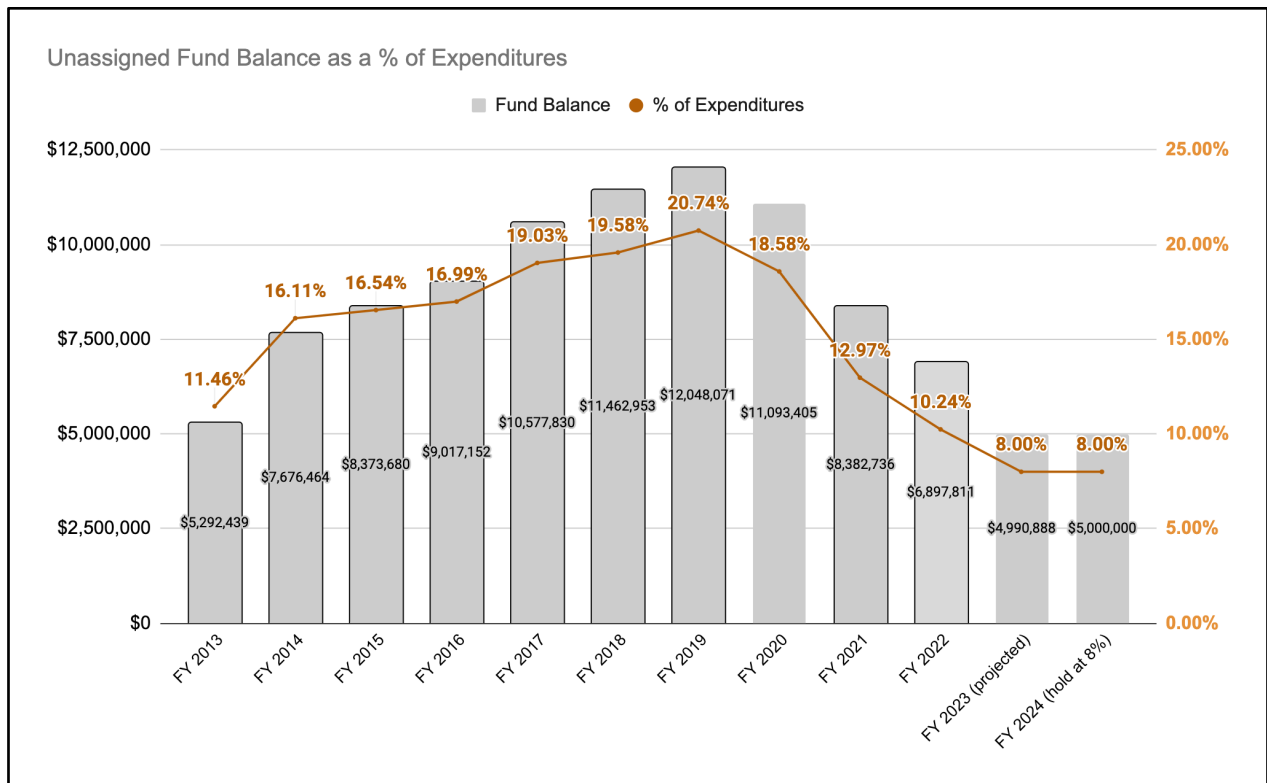
## FY2024 Budget Recommendation Background

**FY2024 Budget Recommendation #1: Within revenue constraints, build an expenditure budget that maintains an unreserved fund balance of 8%**

The FAC recommends careful management of the District’s Fund Balance, as it is the contingency reserve for the District.

The FAC also notes the importance of the General Fund Balance to the District’s overall financial health. The District’s goal is to spend every dollar possible to support its strategic plan, while simultaneously maintaining a fund balance that protects cash flow and the District’s ability to address unanticipated financial costs or opportunities that arise during the fiscal year.

Audit results for FY2022 show St. Louis Park’s General Fund Unreserved Fund Balance plus Assigned for future year’s deficits at \$6.8 million. This was approximately 10.24% of FY2022 unassigned operating expenditures. The FY2023 board approved budget includes additional deficit spending, which will reduce the Fund Balance to 8%. Based on current budget projections, the District’s General Fund Balance could drop below the School Board’s established minimum of 6% of operating expenses in FY2024. The chart below shows the recent history of the fund balance and the decline in fund balance resulting from planned deficit spending. Summarize what might be included in the budget cuts and what would not have an impact on this deficit (i.e. curriculum, musical instruments, technology)



**FY2024 Budget Recommendation #2: 2% increase in per pupil formula, with excess beyond this assumption be held to provide fund balance capacity to balance future budgets and avoid budget cuts**

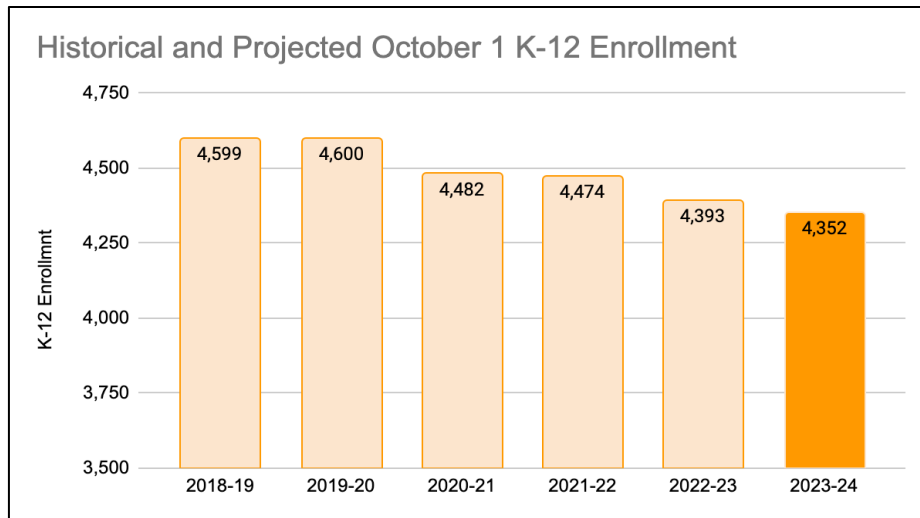
The chart below depicts the State’s basic formula allowance increases in recent years.

Year	Amount	Explanation
2013-14	\$5,302	1.5% increase
2014-15	\$5,831	1.5% increase + \$25
2015-16	\$5,948	2.0% increase
2016-17	\$6,067	2.0% increase
2017-18	\$6,188	2.0% increase
2018-19	\$6,312	2.0% increase
2019-20	\$6,438	2.0% increase
2020-21	\$6,567	2.0% increase
2021-22	\$6,728	2.45% increase
2022-23	\$6,863	2.0% increase
2023-24	\$7,000	2% increase (assumption)

Because the State of Minnesota has experienced some positive economic indicators, such as relatively low unemployment and a budget surplus, the likelihood of historic funding increases are high. The state will continue to have many competing funding priorities and will experience future economic downturns. For this reason, the FAC recommends reducing expenses to maintain operations within the constraints of a 2% increase in the general funding formula.

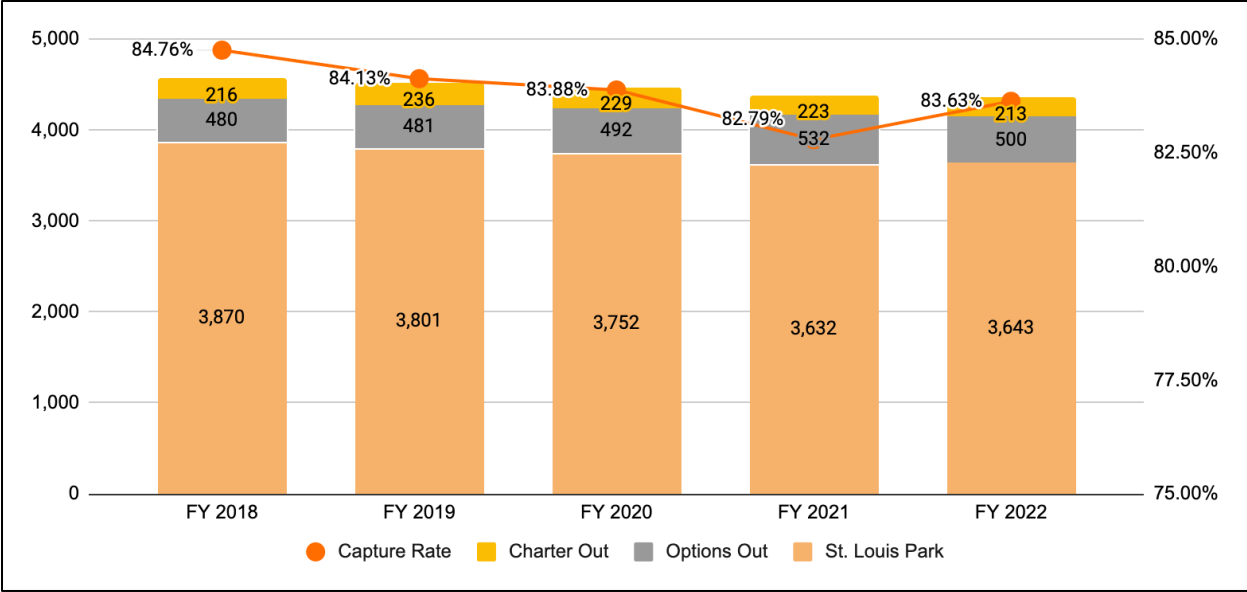
Voter approval in November 2017 set the operating referendum at the maximum cap and provided for increases to an inflationary factor as established by state law. As a result, the District receives the maximum operating levy dollars and will have no option to increase the operating levy. Therefore, the District must rely on increases in the General Education Formula Allowance.

**FY2024 Budget Recommendation #3: 4,352 K-12th grade adjusted pupil units (APU), with potential for increased enrollment if efforts to improve the capture rate are successful**



In FY2023, the District will graduate a large senior class (378) and expects to enroll a smaller kindergarten class in FY2024 (329) which will decrease overall enrollment in FY 2024.

	Historical Fall Actual				Projecte	Prelim.	Varianc	Projected
	2018-19	2019-20	2020-21	2021-22	2022-23			2023-24
<b>K</b>	332	391	302	351	345	296	-49	330
<b>1</b>	351	329	384	309	362	345	-17	295
<b>2</b>	333	338	319	365	309	293	-16	327
<b>3</b>	355	334	325	319	366	365	-1	293
<b>4</b>	357	346	322	315	310	319	9	361
<b>5</b>	359	347	345	312	318	306	-12	310
<b>6</b>	356	358	323	330	310	326	16	311
<b>7</b>	323	357	340	331	333	330	-3	329
<b>8</b>	340	333	338	331	329	320	-9	320
<b>9</b>	392	370	374	399	378	354	-24	354
<b>10</b>	390	380	366	383	387	397	10	356
<b>11</b>	337	378	356	352	367	364	-3	379
<b>12</b>	374	339	388	377	363	378	15	389
<b>K-12</b>	4,599	4,600	4,482	4,474	4,477	4,393	-84	4,352
<b>Year over Year Change</b>		1	-118	-8	3	-81		-41
		0.02%	-2.57%	-0.18%	0.07%	-1.81%		-0.93%



The chart above depicts the history of resident enrollment. The trendline shows that the % of resident students who attend public school by their respective choices (charter school, opting out to another public school district, or attend (captured) within St. Louis Park Public Schools). The orange line depicts the decline in this capture rate from 85.98% in FY2017 to 82.79% in FY2021. Though overall enrollment declined in FY2022, the capture rate of resident students rebounded to 83.63%.

In order to maintain and increase enrollment, it is important that focus be placed on attracting resident St. Louis Park students that might otherwise choose other public school districts, charter schools, or private schools.

Some recommended actions include:

- persist in improving academic outcomes for each student
- understand and promote the unique things that attract and retain families in St. Louis Park Public Schools
- create high expectations for the initial experiences of families such as; the appearance of facilities and grounds, staff interactions in public-facing areas such as the enrollment center and front offices
- ensure transparency for student access to curricular, co-curricular and extra curricular activities that foster their growth and brilliance
- understand the non-academic experiences of students and families in the areas of transportation and school nutrition and infuse changes that improve these experiences

**FY 2024 Budget Recommendation #4: Increase local revenue - Increase student activity fees and meal prices; maintain high school student parking fees at current rate**

The FAC (in collaboration with the School Nutrition, High School and Middle School Activity Departments with coach input) recommends the following fees should be included in the revenue budget assumptions for FY 2024:

**General Fund] High School Activity Fees** - increase of between \$5 and \$25 per activity (details in chart below); this brings fees into the range of comparison districts (see appendix A) and will generate additional revenue of just over \$14,000 annually in the General Fund

	<b>2023-24 Recommendation</b>	<b>Comparison District Average</b>	<b>FY2022 and 2023 Fee</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Cross Country</b>	\$210	\$209	\$205	\$5	2.44%
<b>Swimming</b>	\$210	\$215	\$205	\$5	2.44%
<b>Synchronized Swimming</b>	\$210	\$190	\$205	\$5	2.44%
<b>Tennis</b>	\$210	\$206	\$205	\$5	2.44%
<b>Baseball</b>	\$220	\$221	\$205	\$15	7.32%
<b>Golf</b>	\$220	\$213	\$205	\$15	7.32%
<b>Nordic Ski</b>	\$220	\$218	\$205	\$15	7.32%
<b>Soccer</b>	\$220	\$218	\$205	\$15	7.32%
<b>Softball</b>	\$220	\$221	\$205	\$15	7.32%
<b>Track &amp; Field</b>	\$220	\$221	\$205	\$15	7.32%
<b>Volleyball</b>	\$220	\$219	\$205	\$15	7.32%
<b>Basketball</b>	\$230	\$232	\$205	\$25	12.20%
<b>Gymnastics</b>	\$230	\$230	\$205	\$25	12.20%
<b>Lacrosse</b>	\$230	\$230	\$205	\$25	12.20%
<b>Football</b>	\$250	\$250	\$205	\$45	21.95%
<b>Hockey</b>	\$270	\$276	\$250	\$20	8.00%

**[General Fund] Middle School Activity Fees** - increase of \$5 (5%) per activity to \$110 for all sports; this brings fees into the range of comparison districts and this will generate additional revenue of approximately \$1,300 annually in the General Fund

Note: High School and Middle School fees will be cut in half for students who qualify for reduced price meals and are set at \$25 for students who qualify for free meals; the district will review this process if the 2023 MN Legislative Session results in fully funded meals.



**[General Fund] Parking Fees** - no change to the current parking fee of \$50 per semester is recommended; these fees accrue to the General Fund

**[School Nutrition Fund] Meal Prices** - increase breakfast & lunch prices as per chart below; this brings fees into the range of comparison districts (see Appendix B); it appears that the 2023 MN Legislative Session will fully fund breakfast and lunch for all students regardless of economic status, if this happens, these prices will apply only to second meals for students. Adult meal prices are not impacted by state or federal funding, so these meal prices will apply to all adult meals.

<b>Breakfast</b>				
	<b>Proposed</b>	<b>Current</b>	<b>\$ Increase</b>	<b>% increase</b>
<b>Elementary</b>	\$1.70	\$1.50	\$0.20	13.33%
<b>Middle School</b>	\$1.80	\$1.50	\$0.30	20.00%
<b>High School</b>	\$1.90	\$1.50	\$0.40	26.67%
<b>Adults/Guests</b>	\$2.50	\$2.50	\$0.00	0.00%

<b>Lunch</b>				
	<b>Proposed</b>	<b>Current</b>	<b>\$ Increase</b>	<b>% increase</b>
<b>Elementary</b>	\$2.95	\$2.90	\$0.05	1.72%
<b>Middle School</b>	\$3.15	\$3.15	\$0.00	0.00%
<b>High School</b>	\$3.30	\$3.15	\$0.15	4.76%
<b>Adults/Guests</b>	\$4.95	\$4.95	\$0.00	0.00%

## **FY2024 Budget Recommendation #5: Standardize middle and high school clubs and activities structure**

In collaboration with the High School and Middle School administrative staff (with student and club advisor input), the FAC supports and recommends the following proposal for standardization of systems and structures that keeps students at the center by create clear pathways to join existing clubs or start new clubs

Two Tier system:

- **Service Club:** Activity to do or bring awareness of service/social justice issues (i.e. gals and pals, SOAR, GSA, environmental club)
- **Interest Club:** A club that seeks to know or learn more about activity or an enrichment opportunity (i.e. art, dungeons and dragons, quiz bowl, math team)

### **Service Club:**

- No fee
- must generate outside dollars to cover costs beyond the cost of the club advisor (schedule C of teacher contract)

### **Interest Club:**

- \$25 fee; to offset cost of the club advisor (schedule C of teacher contract), supplies, transportation, tournaments
- must generate outside dollars to cover additional costs
- Club fees will be waived for students who qualify for free or reduced price meals
- Interest clubs should seek to offset fees and generate outside dollars by seeking partnerships with local businesses or St. Louis Park PTO groups

### **ALL St. Louis Park Public Schools clubs/activities are required to:**

- Maintain student voice/purpose for club
- Identify/empower student leaders
- Maintain accurate registration - using the District approved online registration system and procedures.
- Use a cashless system whenever possible
- Identify budget needs and funding sources by November 1 of each school year
- Identify community partnerships (ie. grants, donations, booster clubs)
- Propose fundraising/donation activities by November 1 of each school year to building leadership
- Communicate with designated school leaders in a timely manner
- Collaborate with school leadership to seek processes to maintain necessary student confidentiality and safety

## Financial Advisory Committee Membership

	First Name	Last Name	Connection to district/years of service
<b>Students</b>			
1	Meshach	Mandel	new; high school senior
2	Alicia	Margalli	new; high school junior
3	Julian	Rohweder	new; high school senior
<b>Community Members</b>			
1	Carlee	Bendickson	new; high school parent
2	Julia	Beverly	new; Peter Hobart parent
3	Sue	Cantor	returning year 3; community member
4	Jacey	Cassem	new; Aquila parent
5	Barry	Fitzpatrick	new; middle and high school parent
6	Andy	Gilles	new; PSI parent
7	Angel	Glass	new; Susan Lindgren parent
8	Robert	Grommesh	returning year 2; high school & private school parent
9	Katherine	Heyerdahl	new; PSI parent
10	Brice	Hogan	new; Peter Hobart and pre-school parent
11	Valerie	Jensen	returning year 3; Aquila parent
12	Drew	McGovern	returning year 2; Susan Lindgren parent
13	Michael	Ness	new; PSI parent
14	Lisa	Wahlstrom	new; Susan Lindgren parent
15	Meta	Webb	returning year 2; PSI and middle school parent
16	Michael	Wells	returning year 2; community member
<b>Staff/School Board</b>			
1	Jennifer	Jerulle	Controller
2	Virginia	Mancini	School Board Member
3	Patricia	Magnuson	Director of Business Services
4	Shanique	Williams	Assistant Director of Business Services

