



Finance Advisory Committee
 Budget and Fiscal Recommendations to Superintendent Hines
 February 24, 2026

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Executive Summary

The Financial Advisory Committee (FAC) is tasked with advising administration and the school board on economic and school finance issues and to build community trust in district finances. The Committee has met six times this year.

The recommendations presented to the Superintendent reflect a general consensus among the Committee members regarding the key assumptions for the 2026-2027 (FY2027) budget. These recommendations are based on three major factors that influence the school district's financial planning:

1. **State Economy** - According to the November Budget and Economic Forecast from the Minnesota Office of Management & Budget (MMB):

Minnesota's budget and economic outlook remains stable in the current biennium; however, structural budget challenges remain. A better-than-expected fiscal year close and higher near-term revenue collections, partially offset by increased spending estimates, result in a projected surplus of \$2.465 billion in the current biennium. Higher health care costs and slow economic growth drive an increased structural imbalance in the FY 2028-29 planning estimates where the balance is now projected to be negative \$2.960 billion. Total general fund reserves remain strong and at their statutory target of \$3.771 billion.

Because FY2027 was funded during the 2025 Legislative Session, the above forecast suggests that state education funding may remain unchanged during the 2026 legislative session. Any additional funding approved in that session should be directed toward balancing the budget and maintaining or strengthening reserve funds. Federal funding remains uncertain due to ongoing changes at the federal level. As a result, the district should proceed cautiously with programs and initiatives that rely on federal funding and monitor developments closely.

2. **Cost Structure** - Approximately 85% of the district's General Fund expenditures (excluding capital-related expenses) are dedicated to salaries and benefits. The current employment market remains highly competitive, placing continued upward pressure on compensation costs. At the same time, other significant cost drivers including transportation, substitute teacher costs, and utilities are increasing at rates that exceed revenue growth.

As a result, expenditure growth continues to outpace available revenues, creating ongoing pressure on the district's financial capacity and limiting flexibility in future budgets. Moving forward, a sustained focus on efficiency and cost containment will be critical to maintaining financial stability and supporting district programs.

3. **Student Enrollment** - Enrollment, a key indicator of fiscal health, has begun to return to pre-pandemic levels. FY2026 marked the first time in four years that district enrollment exceeded 4,400 students. This increase is encouraging and reflects ongoing efforts to engage families and strengthen academic outcomes.

While historical trends had suggested continued enrollment decline, more recent data indicates a modest increase projected for FY2027, representing a second consecutive year of enrollment growth. Although these trends are positive, sustained growth will depend on grade-level patterns, demographic factors, and the extent to which recent increases translate into stable, long-term enrollment.

In light of these conditions, the Committee offers the following fiscal and budget assumptions to the Superintendent:

FY2027 Budget Recommendations:

- 1. Fund Balance Percentage**
 - a. Maintain an unreserved fund balance of at least 8% using the Minnesota Department of Education (MDE) calculation
- 2. Balanced Budget**
 - a. Maintain a balanced budget keeping expenditures within revenue constraints
- 3. Per Pupil Funding Formula**
 - a. Calculate revenue using a 2.69% increase in the per-pupil formula, based on the MDE's current estimate of inflation for FY2027
- 4. Student enrollment**
 - a. Calculate budget impacts using 4,460 adjusted pupil units (APU) for K-12 students
 - b. Continue efforts to improve student capture rates to stabilize and grow enrollment
- 5. Student Fees**
 - a. Increase High School student parking rate to \$200 and maintain all other fees as current rates
- 6. District Wide Fee Structure**
 - a. Conduct a comprehensive review of the district's current fee structure, including how credit card processing fees are assessed and absorbed
- 7. Class Sizes**
 - a. Maintain class sizes with a focus on holding secondary class sizes to grade level recommendations
- 8. Cost Drivers and Cost Containment**
 - a. Understand district cost drivers and focus on cost containment

FY2027 Budget Recommendation Background

FY2027 Budget Recommendation #1: Fund Balance Percentage

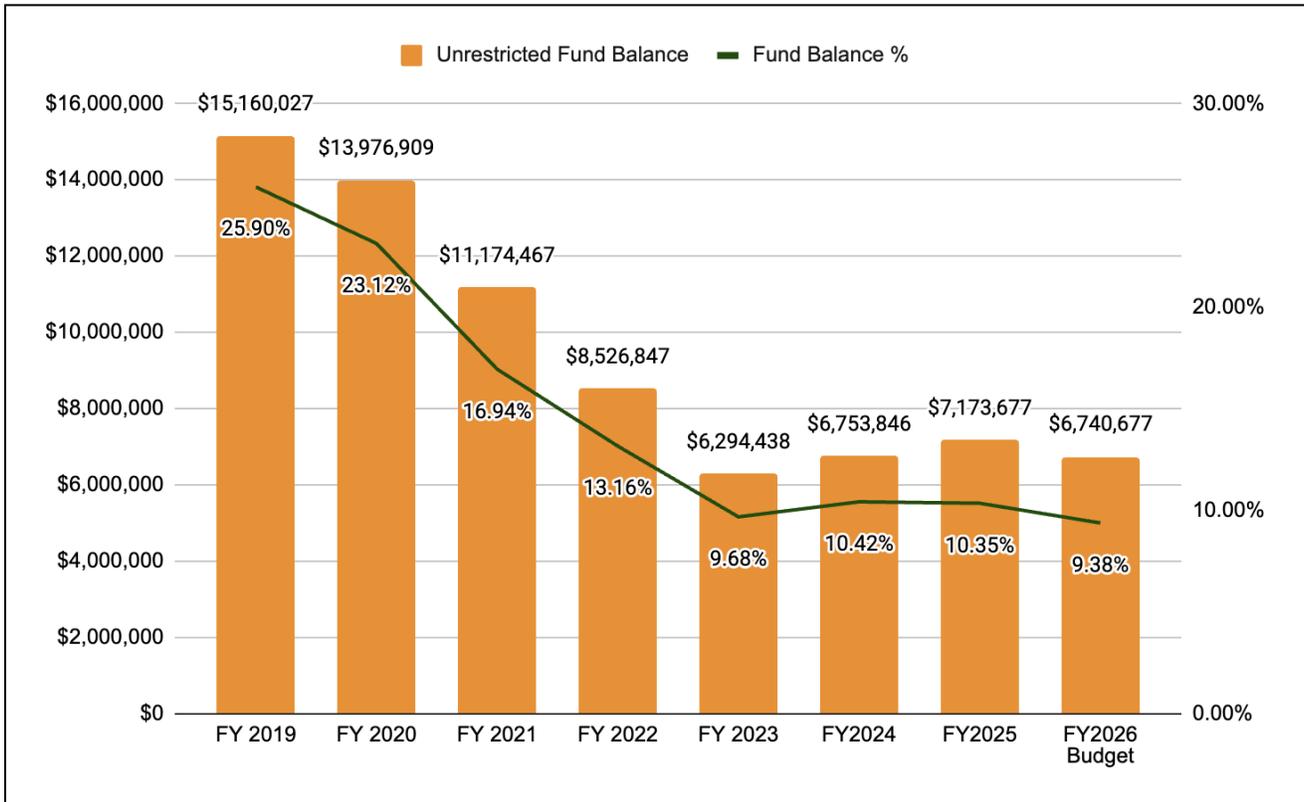
The district should develop an expenditure budget that ensures an unreserved fund balance of at least 8%. A long-term strategy to increase the fund balance to 12%-16%, which would equate to approximately two months' worth of expenditures, should be considered if budgets are not balanced (see recommendation #2).

Should student enrollment continue to decline or if local, state, and federal funding fails to keep pace with rising expenditures, reductions in expenditures may be necessary. Additionally, the potential loss of federal funds, as recently reported, could further jeopardize the district's financial stability. These unexpected changes highlight the importance of maintaining a healthy fund balance. **A solid reserve will provide the district with the flexibility to maintain stable operations in response to shifts in funding.**

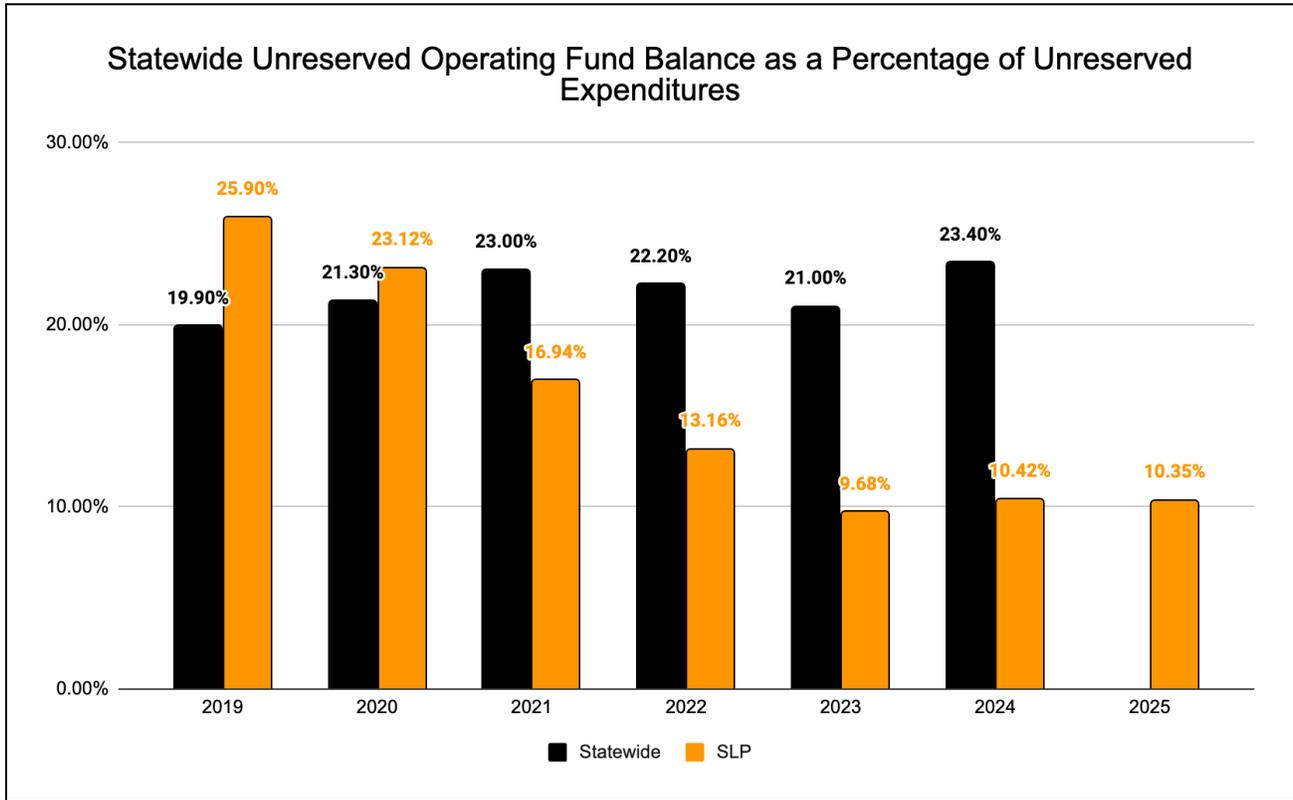
The FAC emphasizes that the General Fund Balance is critical to the district's overall financial health. While the district should aim to use its resources to fully support its strategic plan and meet the needs of today's students, it is equally important to safeguard a fund balance that ensures healthy cash flow. This balance will also help the district manage any unforeseen financial challenges or capitalize on unexpected opportunities that may arise during the fiscal year.

Audit results for FY2025 reveal that St. Louis Park's General Fund Unreserved Fund Balance totaled \$7.2 million, representing approximately 10.35% of FY2025's unassigned operating expenditures. The FY2026 budget, as approved by the school board reduces the fund balance to 9.38%. The chart below illustrates the recent history of the fund balance and the current budgeted fund balance for FY2026.

Note that the fund balances below have been adjusted to match the MDE calculation for fund balances. For St. Louis Park, this involves the addition of previous board assigned balances for severance, prepaid expenses, TRA/PERA reporting, and subsequent years budget deficits.



The chart below presents data from the FY2025 audit report, illustrating historical statewide trends in fund balances. While St. Louis Park has seen a reduction in its fund balance over the past few years, the trend statewide has been steady fund balances. This contrast highlights the need for the district to focus on maintaining its reserves in line with broader statewide practices to ensure long-term financial stability.



FY2027 Budget Recommendation #2: Balanced Budget

To ensure long-term financial sustainability, the district must maintain a structurally balanced budget in which expenditures are aligned with revenues. Expenditures that exceed revenues create structural deficits that reduce fund balance over time (below the 8% limit) and limit the district’s ability to respond to future financial challenges.

Maintaining a balanced budget:

- Stabilizes and protects fund balance
- Avoids structural deficits and reactive reductions
- Supports strong credit ratings and lower borrowing costs
- Preserves flexibility amid enrollment, economic, and cost pressures
- Demonstrates disciplined stewardship of public funds

While fund balance may be used strategically for one-time investments or transition costs, ongoing operating expenses should not rely on one-time funds. A structurally balanced budget promotes stability, predictability, and thoughtful long-term planning in support of students and the community.

This recommendation must be paired with Recommendation #1, which establishes a healthy fund balance target. A structurally balanced budget alone does not maintain fund balance as a percentage of expenditures over time.

Scenario: Balanced Budget with Equal Revenue and Expenditure Growth

Year	Revenue	Revenue Growth	Expenditures	Expenditure Growth	Surplus / (Deficit)	Ending Fund Balance	Fund Balance %
Year 1	\$71,000,000	—	\$71,000,000	—	\$0	\$6,000,000	8.5%
Year 2	\$72,420,000	2.0%	\$72,420,000	2.0%	\$0	\$6,000,000	8.3%
Year 3	\$73,868,400	2.0%	\$73,868,400	2.0%	\$0	\$6,000,000	8.1%

Key takeaway: A balanced budget alone does not preserve the fund balance percentage. As total expenditures grow, a static fund balance represents a declining share of the overall budget, even though the actual dollar amount of fund balance remains constant.

Summary Points:

- A balanced budget alone does not protect fund balance percentage (at above 8%).
- Maintaining fund balance requires periodic operating surpluses.
- Increasing fund balance requires expenditures to grow more slowly than revenues over time.
- Fund balance targets (e.g., 8%, 10%, 12%) must be paired with explicit budget strategies to achieve them.

FY2027 Budget Recommendation #3: Per Pupil Funding Formula

For planning purposes, the district will assume the statutory maximum increase of 2.69% in FY2027, which is consistent with the current FY2027 MDE inflationary estimate.

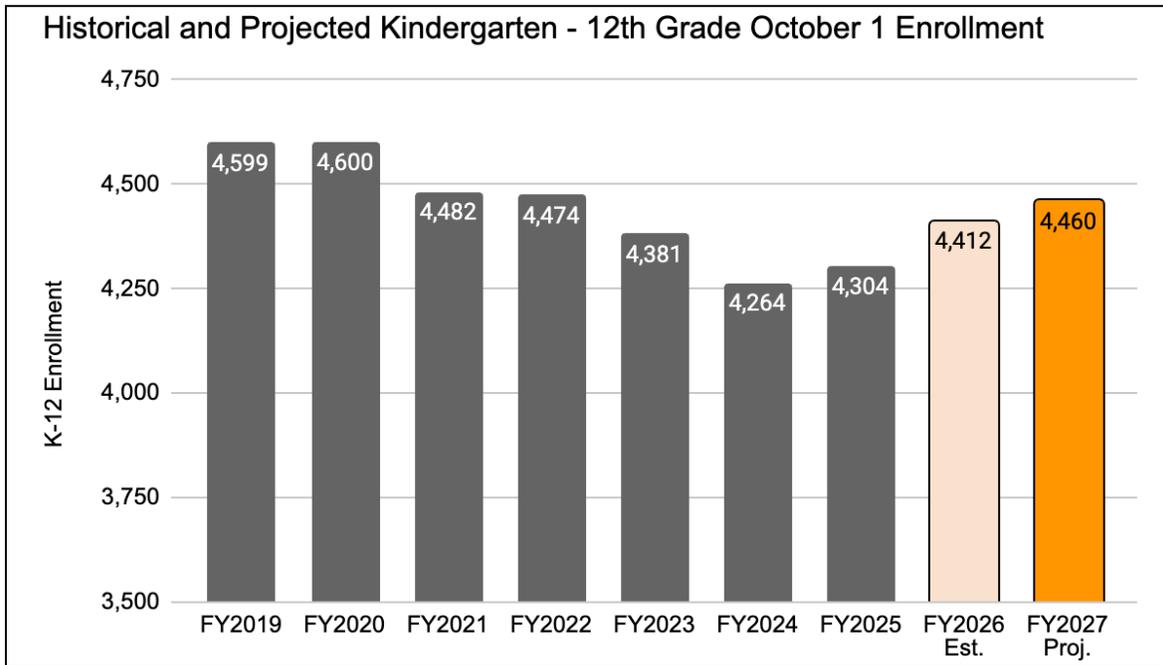
The chart below illustrates Minnesota's basic funding formula increases over the past several years. The statutory linkage of the formula allowance to inflation provides important stability and helps districts address rising operating costs.

Year	Amount	Explanation
2022-23	\$6,863	2.00% increase
2023-24	\$7,138	4.00% increase
2024-25	\$7,281	2.00% increase
2025-26	\$7,481	2.74% increase
2026-27	\$7,683	2.69% increase

While Minnesota currently maintains relatively low unemployment and has experienced recent budget surpluses, longer-term economic projections indicate slower revenue growth and structural budget pressures at the state level. Beginning in FY2026, Minnesota Statute 126C.10, subdivision 2, ties the general education formula allowance to inflation, with a minimum annual increase of 2% and a maximum of 3%. Given the statutory cap and broader fiscal uncertainty, the district must continue to align expenditure growth with sustainable revenue assumptions and limit structural cost increases.

FY2026 Budget Recommendation #4: Student Enrollment

The district should plan for Kindergarten through grade 12 enrollment of 4,460 students in FY2027 based on currently available data. **Maintaining and improving student capture rates will be critical to sustaining enrollment and preserving the revenue necessary to support district programs and services.**



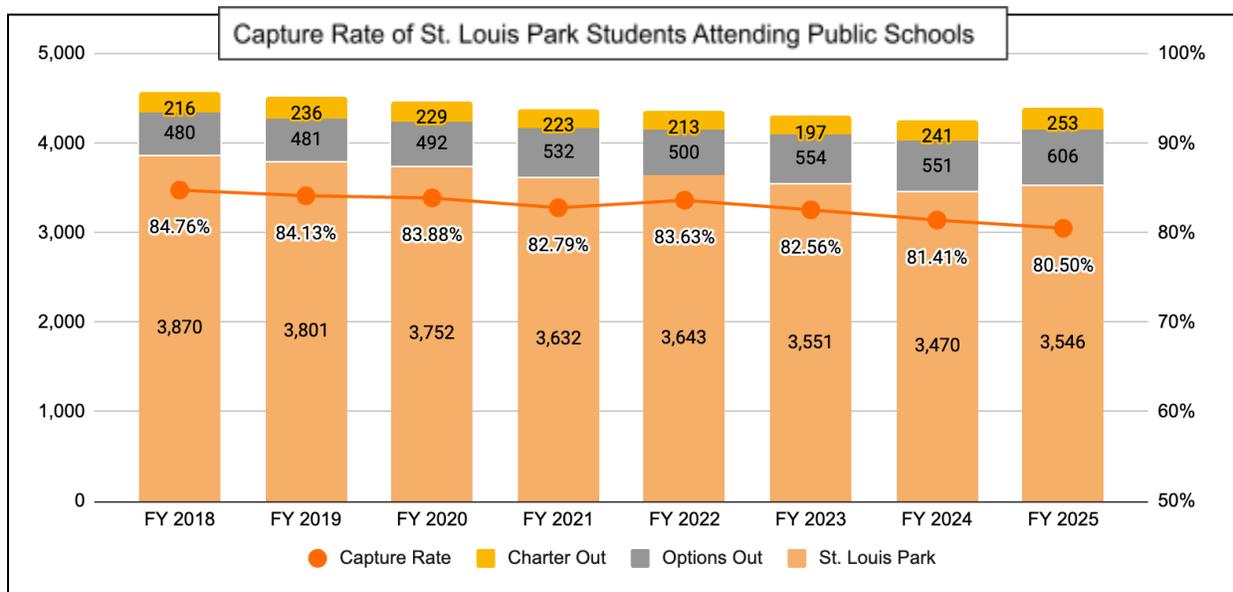
	Historical Fall Actual							Est	Proj
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Kindergarten	332	391	302	351	298	323	330	326	328
Grade 1	351	329	384	309	345	282	321	340	325
Grade 2	333	338	319	365	294	345	294	341	351
Grade 3	355	334	325	319	364	283	335	292	334
Grade 4	357	346	322	315	316	339	294	342	294
Grade 5	360	347	345	312	303	317	350	299	347
Total K-5	2,088	2,085	1,997	1,971	1,920	1,889	1,924	1,940	1,979
Grade 6	356	358	323	330	320	310	319	386	314
Grade 7	322	357	340	331	322	315	326	323	392
Grade 8	340	333	338	331	316	313	323	326	322
Total 6-8	1,018	1,048	1,001	992	958	938	968	1,035	1,028
Grade 9	392	370	374	399	361	326	325	357	348
Grade 10	390	380	366	383	393	354	332	364	374
Grade 11	337	378	356	352	364	375	354	346	365
Grade 12	374	339	388	377	385	382	401	370	366
Total 9-12	1,493	1,467	1,484	1,511	1,503	1,437	1,412	1,437	1,453
Total K-12	4,599	4,600	4,482	4,474	4,381	4,264	4,304	4,412	4,460
Change		1	-118	-8	-93	-117	40	108	48
		0.02%	-2.57%	-0.18%	-2.08%	-2.67%	0.94%	2.51%	1.09%

Historically, the Financial Advisory Committee (FAC) has used a seven-year survival rate model to project enrollment, which helps smooth short-term fluctuations. In 2025, FAC temporarily shifted to a three-year model, excluding the anomalous COVID-19 year, to better reflect recent enrollment growth. Consistent with the plan to return to the seven-year methodology, this year the model incorporates four years of data.

For FY2026, the District expects to graduate 370 seniors. A smaller incoming kindergarten class of 328 students will enter the District in FY2027. This transition alone results in a net enrollment decline of 24 students.. However, positive growth between other grade levels (survival), particularly at the transition between grades 5 to 6 and grades 8 to 9 transitions, are expected to drive modest overall enrollment growth.

The chart below illustrates historical enrollment patterns for resident students who choose public school. It highlights the share attending St. Louis Park Public Schools compared with those enrolling in charter schools or other public school districts. Students attending their district of residence are included in the district’s capture rate.

The orange line shows a decline in the capture rate from 84.76% in FY2018 to 80.50% in FY2025. This trend is significant because lower capture rates directly affect enrollment-driven revenue, emphasizing the importance of strategies to retain and attract resident students.



Maintaining and growing resident student enrollment is critical to the district’s revenue and financial stability. Retaining students and attracting families who might choose other districts, charter schools, or private schools depends on strong academic outcomes, compelling program offerings, and positive family experiences. Continued focus on these factors will support stable enrollment, helping to secure the funding needed to sustain programs and plan for long-term growth.

FY2027 Budget Recommendation #5: Student Fees

Maintain all student fees and meal prices, with the exception of a **proposed increase in the high school parking fee from \$100 to \$200**. Community Education space rental fees will also be maintained, with the Community Education Advisory Council continuing to recommend class fees and rental rates. Booster support is encouraged to supplement district resources, including potential formation of a district-wide booster club

and targeted support for transportation, helping to expand student opportunities without increasing general fund pressures.

High School Activity Fees

Cross Country	\$210
Swimming	\$210
Synchronized Swimming	\$210
Tennis	\$210
Baseball	\$220
Golf	\$220
Nordic Ski	\$220
Soccer	\$220
Softball	\$220
Track & Field	\$220
Volleyball	\$220
Basketball	\$230
Gymnastics	\$230
Lacrosse	\$230
Football	\$250
Hockey	\$270

Middle School Activity Fees

\$110 per activity

Note: Both High School and Middle School fees are reduced by half for students who apply and qualify for reduced educational benefits. Fees are waived entirely for students who qualify for free educational benefits.

Other Student Fees

- **Parking Fees:** Increase the annual student parking fee to \$200. Parking violation fees will also be maintained.
- **Technology Fee:** Applied for repairs due to negligence or loss:
 - a. Lost chargers: \$35
 - b. Chromebook screen replacement: \$35
 - c. Total device replacement: \$280
- **Electric Vehicle Charging Station Fee:** \$0.35 per kilowatt-hour (kWh). For reference, the district's current cost from Xcel Energy is approximately \$0.075 per kWh plus applicable surcharges; \$0.35/kWh reflects the Minnesota average.

Meal Prices (School Nutrition Fund):

Recommended meal prices maintain consistency for students and families, with support for those who qualify for assistance. Any adjustments required by federal "paid lunch equity" updates will be implemented by

administration and presented to the board for approval on the consent agenda.

Breakfast	
	Current Fee
Elementary	\$1.75
Middle School	\$1.75
High School	\$1.75
Adults/Guests	\$3.50

Lunch	
	Current Fee
Elementary	\$2.95
Middle School	\$3.15
High School	\$3.30
Adults/Guests	\$5.25

FY2027 Budget Recommendation #6: District Wide Fee Structure

The district should review all fee practices to ensure consistency across programs, sites, and platforms. This includes:

- standardizing credit card and processing fees,
- aligning fee collection mechanisms, and
- evaluating whether cash payments should continue.

The goal is to simplify processes, enhance transparency, reduce administrative complexity, and maintain equitable access to district programs and services.

FY2027 Budget Recommendation #7: Class Sizes

Class size guidelines should remain consistent with the previous year, with particular attention to maintaining secondary class sizes within recommended grade-level ranges. Staffing allocations should be based on projected enrollment and established class size guidelines; however, ongoing attention should be given to actual class sizes throughout the year to ensure they reflect enrollment realities and are adjusted as necessary.

Grade	Guidelines
Kindergarten	23.0
Grade 1	23.0
Grade 2	24.0
Grade 3	26.0
Grade 4	28.0
Grades 5	29.0
Grade 6-8	30.0 - 35.0
Grades 9-12	

The district should pursue strategies to reduce class size variability at the high school and middle school levels while maintaining program quality. This includes increasing transparency around actual class sizes, differentiating between required and elective courses when evaluating staffing, and reviewing low-enrollment courses that are not required for graduation. Efforts should also focus on improving staffing predictability by limiting mid-term schedule changes and prioritizing courses that align with the district's strategic plan and/or generate college credit. Class size reporting should fairly reflect instructional settings, distinguishing between general and special education classrooms and excluding outliers (i.e. music) where appropriate.

FY2027 Budget Recommendation #8: Cost Drivers and Cost Containment

The district must closely monitor its primary cost drivers to ensure spending remains aligned with available revenue. Without disciplined oversight, expenditure growth in these areas can create structural budget pressures and increase the risk of future reductions.

Priority should remain on retaining classroom teachers and other direct student-facing positions. Investments in administrative and non-classroom roles must demonstrate a clear return on investment and measurable impact on student outcomes. Some additional recommendations include:

- The District should transparently report the number of staff in non student facing positions (i.e. district office staff).
- The District should transparently report consulting staff hired to support administrative work.
- The District should consider eliminating color printing for students and limiting or eliminating student printing accessibility.

The enhanced monthly financial reporting process implemented in FY2026 should continue, strengthening transparency and oversight. Ongoing analysis by the Finance Advisory Committee will support timely adjustments and help ensure long-term financial sustainability.

Financial Advisory Committee Membership

	First Name	Last Name	Connection to district
Community Members			
1	Kathryn	Chan	Parent of a high school student
2	Erik	Christenson	Parent of a preschool age and an elementary school student
3	Meghan	Dangerfield	Parent of an elementary school and a middle school student
4	Peter	Dangerfield	Parent of an elementary school and a middle school student & teacher at the high school
5	Matthew	Ernst	Parent of high school students
6	Nicole	Hamer	Parent of an elementary school student
7	Caitlin	Johnson	Parent of a preschool age and an elementary school student
8	Tanya	Keller	Parent of an elementary school student and a middle school student
9	Abigail	Lugo	Business Teacher; Leadership Development; School Store Operations I & II (School Store, Bird Feeder & Clothing Closet); IB Business Management; DECA Advisor
10	Mitch	Meyer	Parent of elementary and middle school students
11	Jean	Mountain	Parent of a preschool age, elementary school and middle school student
12	Christina	Murphy	Parent of a preschool age, elementary school student, and a high school student
12	Teni	Nagel	Parent of an elementary school student
13	Justin	Pierre	Parent of an elementary school student
14	Calie	Ries	Parent of a preschool age and an elementary school student
15	Charlotte	Tuttle	Parent of an elementary school and a middle school student
16	Peishan	Merrick	Parent of a preschool age student and an elementary school student
District Staff			
1	Sue	Cantor	SPARK
2	Cody	Christensen	Senior Accountant
3	Patrice	Howard	Executive Director of Community Education
4	Patricia	Magnuson	Executive Director of Business Services
5	Josiah	Nebo	Assistant Director Business Services
6	LaNisha	Paddock	High school Principal
7	Scott	Peterson	Accountant
School Board			
1	Patrick	Baldwin	School Board (served during 2026)
2	Susan	Kaufman	School Board (served during 2026)
3	Abdihakim	Ibrahim	School Board (served during 2025)
4	Taylor	Williams	School Board (served during 2025)