

## **School Board Work Session**

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Meeting ID: 923 2572 2640

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1. Financial Advisory Council (FAC) Report (30 minutes)
2. School Start Time Summary (20 minutes)
3. District Updates (60 minutes)
4. Other

Individual focus. Infinite potential.

## **School Board of Robbinsdale Area Schools**

Work Session – August 3, 2020

**AGENDA SECTION:** Work Session

**ITEM:** 1. Finance Advisory Council (FAC) Report

**COMMENTS BY:** Greg Hein, Executive Director of Finance and members of the FAC

The School Board will have an opportunity to hear a presentation from the Finance Advisory Council. An opportunity for Q & A will take place during the allotted time on the agenda.

# Robbinsdale Area Schools

## Annual Report to the School Board 2019-2020

### Financial Advisory Council

# FAC Duties and Responsibilities

## (per School Board Bylaws)

- ▶ Provide financial advice and support to the Board and to the Administration
- ▶ Evaluate the District's economic conditions
- ▶ Provide insights re: overall District financial condition
- ▶ Review present and future revenue/expenditure projections
- ▶ Make recommendations re: future budget targets and assumptions

# FAC 2019-2020 Membership & Meetings

- ▶ Gregg Fishbein, Chair
- ▶ Lennie Kaufman, Secretary
- ▶ Earl Hoffman
- ▶ Thomas Klick
- ▶ Barry Rogers
- ▶ Howard Schwartz
- ▶ Terry Swanson
- ▶ Sherry Tyrrell, Board Treasurer
- ▶ Greg Hein, Exec. Dir.-Finance
- ▶ Bylaws require four (4) meetings per year; FAC met eight (8) times:
  - ▶ 10/10/19; 12/9/19; 1/14/20; 2/11/20; 5/12/20; 6/23/20; 7/14/20; [August 2020 TBD]
  - ▶ Dr. Melcher presentation 10/21/19
  - ▶ Other attendees: Dr. Carlton Jenkins, Dr. Stephanie Burrage, Ukee Dozier, Karylanne Marchand, Dr. Richard McGregory, Kelly Smith, Nichol Sutton, Ginny Verbrugge, Kristine Wehrkamp

# Discussion Points and Issues

- ▶ FAC Duties and Performance:
  - ▶ Continue emphasis on audit evaluations, budgeting process, financial performance, tax levy determination
  - ▶ Push for increased direct involvement with the School Board when reviewing long-term financial goals, actual vs. budgeted performance, and key performance indicators
  - ▶ Sync FAC meeting calendar with School Board agenda in order to provide meaningful and timely recommendations

# Discussion Points and Issues

- ▶ Unassigned Fund Balance Concerns:
  - ▶ Unassigned Fund Balance urgently needs to be restored to acceptable operational levels within a specified period of time (Board policy: 6.5% or \$12 million)
  - ▶ Current projected Fund balances are insufficient to prevent possible future Statutory Operating Debt position
  - ▶ FAC recommends a sustainable Fund balance of \$20 million

# Discussion Points and Issues

- ▶ Enrollment/Revenue Projection Concerns:
  - ▶ State per-pupil funding formula increases only cover approximately 50% of District's operating costs
  - ▶ Reliance on Open Enrollment to cover marginal operating costs as precipitated by declining District residential enrollments may not be sustainable over time and should be viewed as a temporary fix only
  - ▶ Cost overruns in Special Education, Career & Technical Education, FAIR School Crystal plus others appear to be exacerbated by open enrollment factors
  - ▶ Open enrollee admission preference over resident students for various District magnet programs may be responsible for resident students leaving the District

# Discussion Points and Issues

- ▶ Timing of Annual Audit Presentations:
  - ▶ Auditors need to present findings to FAC prior to the School Board in order for FAC to make meaningful and timely recommendations (as stipulated in Bylaws)
  - ▶ FAC reinforces FY2019 Audit concerns re: management of Extracurricular Student Activity accounts plus use of electronic payments
  - ▶ FAC needs to work through budget and audit issues before School Board review in order to provide timely feedback and input

# Discussion Points and Issues

- ▶ Fund Losses Concerns:
  - ▶ Urgent Board attention is needed re: fund losses projected in ALC, Basic Skills, Special Education, and CTE
  - ▶ Urgent Board attention is needed re: current and projected losses sustained by Food Service and the Self-Insured Medical Fund (*50% of Food Service bad debt reflects unpaid lunches consumed by students no longer in the District*)
  - ▶ Recently passed \$6.25 million referendum levy may not be sufficient to offset continuing losses; increasing debt should not be the fall back position

# Discussion Points and Issues

- ▶ Long-term Debt, Leverage, and Bond Rating Concerns:
  - ▶ Much discussion focused on costs associated with reopening Sandburg Middle School, Pilgrim Lane Elementary School, taking on FAIR School Crystal, remodeling other existing facilities, and relocating current programs, all of which required the Board to take on \$80-\$100 million in additional debt, LTFM capital appreciation notes, and capital and operating leases
  - ▶ The District's bond rating has dropped twice within the past three (3) years, raising serious concerns regarding the increased cost of capital borrowing
  - ▶ FAC continues to work with Mr. Hein regarding long-term debt reduction analysis and recommendations

# Discussion Points and Issues

- ▶ Current and Long-term District Financial Concerns:
  - ▶ Unassigned Fund Balance not sufficiently increasing to an acceptable level over time
  - ▶ Board reliance on bonds, certificates, and capital leases necessary to finance building expansion, renovation, and annual operations jeopardize bond ratings
  - ▶ One-time cash infusions and short-term operating cost reductions will not strengthen the District's long-term financial position

# Discussion Points and Issues

- ▶ Current and Long-term District Financial Goals:
  - ▶ Increase annual net General Fund and Unassigned Operating Fund balance to appropriate levels as soon as feasible
  - ▶ Restore A-level bond rating by reducing long-term leveraged debt position as soon as feasible
  - ▶ Rebuild operating loss programs and funds, and rebuild unassigned reserve fund position to pre-FY2016 levels.

Robbinsdale Area Schools

QUESTIONS???

Financial Advisory Council

**Financial Advisory Council  
Annual Report to the School Board  
2019-2020**

**Robbinsdale Area Schools  
July 14, 2020**

## **RECOMMENDING AUTHORITY**

In accord with the Bylaws of Robbinsdale Area Schools ISD 281, the Financial Advisory Council (FAC) is charged by the School Board with responsibility for:

- Providing financial advice and support to the School Board and senior administrators that is consistent with the District's mission;
- Evaluating the District's economic conditions;
- Developing future budget assumptions;
- Providing insights as to the overall fiscal condition of the District
- Reviewing revenue and expenditure projections for future budget years;
- Making recommendations to the School Board on future budget targets and assumptions. [Article II]

In addition, the Bylaws stipulate that information regarding the FAC's analysis of financial information and development of recommendations for long-term fiscal planning will be presented to the School Board in time for budget planning. [Article VI, Section G]

## **COUNCIL MEETINGS AND MEMBERSHIP**

Per the Bylaws, the Financial Advisory Council is required to meet at least four (4) times annually. During FY2020, the Council met eight (8) times: 10/10/19; 12/9/19; 1/14/20; 2/11/20; 5/12/20; 6/23/20; 7/14/20; plus one meeting in August. Unfortunately, the COVID-19 pandemic prevented the Council from meeting in March and April 2020. The Council was also invited to attend a special presentation on 10/21/19 by Dr. Melcher, Finance Division Director for the Minnesota Department of Education, regarding the nature of public school funding and finance.

Council membership included School Board appointees Gregg Fishbein (Chair), Lennie Kaufman (Secretary), Earl Hoffman, Thomas Klick, Barry Rogers, Howard Schwartz, and Terry Swanson. In addition, Sherry Tyrrell represented the District School Board as its Treasurer, and Greg Hein (Executive Director of Finance) represented District 281 Staff.

Other District and non-District personnel who attended various meetings included Dr. Carlton Jenkins (Superintendent), Stephanie Burrage, Ukee Dozier, Karylanne Marchand, Richard McGregory, Kelly Smith, Nichol Sutton, Ginny Vergrugge, and Kristine Wehrkamp.

## DOCUMENTS PROVIDED TO THE COUNCIL

*[See Appendix 2]*

## ISSUES RAISED AND DISCUSSED BY THE COUNCIL

- Financial Advisory Council Duties and Performance. The Council needs to continue its emphasis on audit evaluations, the budgeting process, ongoing District financial performance, and tax levy determination. To this end:
  - ✓ The Council must pursue greater involvement on a more strategic level with the School Board, including greater involvement in reviewing long-term financial goals, and actual performance against those goals utilizing key performance indicators.
  - ✓ The Council's meeting calendar and agendas need to be more in sync with School Board actions in order to respond to data as well as make meaningful and timely recommendations before School Board action is required.
  - ✓ Finally, there is a need to address conformity between the Council's current activities and the Bylaws.
- Unassigned Fund Balance Issues. There is continuing and urgent concern over the need to implement general planned increases necessary for restoring the Unassigned Fund Balance to acceptable operational levels. In addition, there needs to be ongoing care in managing the Unassigned Fund Balance in order to avoid an unsustainable Statutory Operating Debt position. While it is commendable that the Unassigned Fund Balance is expected to grow from \$600,000 to \$1.7 million by the end of FY2021, such growth is extremely low when compared to a long term fund balance restoration of around \$20 million. (Currently, Board policy requires a minimum fund balance of 6.5% or \$12 million.)
- Enrollment Projection Concerns. Basic State per-pupil funding formula annual increase of 2% only covers approximately 50% of the District's operating costs. The Council is concerned regarding the increased need for and marginal operational costs associated with open enrollees that might be deemed as necessary in order to offset projected enrollment declines among District resident students. Available data (adjusted for the addition of pre-K enrollments) reflects a continuing decrease in resident student enrollments that must currently be offset by open enrollees. In addition, cost overruns in several programs (e.g., Special Education, Career & Technical Education, FAIR School Crystal) may be exacerbated by open enrollment factors. Finally, concerns were raised regarding instances in the magnet schools where certain open enrollees were being given admission preference over resident students and which may have resulted in District students open enrolling outside the

District. The revenue loss from District students open enrolling elsewhere (particularly with respect to our Magnet programs) appears to be driving this concern along with District taxpayers losing out.

- Timing of Annual Audit Presentations. Auditors need to present their findings to the Council prior to the School Board in order to allow the Council sufficient opportunity to respond as stipulated in the Bylaws. The Council also echoes FY2019 audit concerns regarding management of the Extracurricular Student Activity accounts and the use of electronic payments where potential fraud could possibly be at issue. Finally, the Council needs to be working through budget and resulting audit issues before School Board review so that feedback and input can be provided to the School Board in manner that will be useful as future budgets are considered.
- Various Funds Losses. Special attention to various Fund losses projected in ALC, Basic Skills, Special Education, and CTE need to be monitored more closely and followed with proposals to reduce and/or eliminate these losses. Special attention also needs to address significant losses (current and projected) sustained by Food Service and the Self-Insured Medical Fund. Approximately 50% of the bad debt in the Food Service Fund can be attributed to unpaid lunches consumed by students no longer attending District schools. In addition, this debt can only be charged off to the Unassigned Fund balance which may be relatively insufficient to cover this loss. To offset the losses sustained by the Self-Insured Medical Fund, District employees have seen a recent double-digit increase in the cost of their premiums which may not be sufficient in the long term. Also, concerns were raised regarding the ability of the recently passed \$6.25 million referendum levy to cover continuing operational losses.
- Long-term Debt, Leverage, and Bond Rating Issues. The Council is seriously concerned regarding the continued lowering of the District's bond rating due to the District's deteriorating financial condition. Part of this concern is based upon substantial new debt of \$80-\$100 million related to various building projects and the cost of operating re-opened school buildings. When combined with \$20 million in operating losses sustained from FY2016 through FY2019, the District bond rating has been lowered twice within the past three years.
- Building Expansion and Debt Issues. Much discussion revolved around current financial stressors resulting from the 2015-2016 decisions to reduce overcrowding at Plymouth Middle School and Robbinsdale Middle School by reopening Sandburg Middle School, Pilgrim Lane Elementary School, taking on FAIR School Crystal, remodeling other existing facilities, and relocating current programs (e.g., Highview). Costs associated with these facilities decisions required \$80-\$100 million in additional debt, LTFM capital appreciation notes, and capital and operating leases.

- COVID-19 Pandemic and Distance Learning Costs. The Council is concerned regarding extraordinary costs already incurred as a result of State mandates plus future extraordinary costs if/when re-opening of school buildings is authorized, especially with respect to Food Service Operations and Community Education.
- Citizen-petitioned Forensic Audit Results. A letter was submitted on behalf of the Council for publication in the local SunPost newspaper in response to the forensic audit's findings.

## **CURRENT AND LONG-TERM DISTRICT FINANCIAL SITUATION**

The current and projected General Fund and Unassigned Operating Fund balances do not appear to be sustainable over time. In addition, District reserves are well below minimum needs for a District of ISD 281's financial position. Finally, reliance on bonds, certificates, and capital leases to finance building expansion, renovation, and annual operations has seriously jeopardized the District's bond rating and interest rates payable. Substantial savings necessary to right-size the District's long-term financial position cannot be accomplished with one-time cash infusions and short-term operating cost reductions. Nor should the District continue to shore up its operations with its continued reliance on debt and referenda.

In order to correct the District's current trend toward a potential statutory deficit debt position, three operating goals need to be adopted and accomplished:

- Increase the District's annual net General Fund and Unassigned Operating Fund balance to appropriate levels;
- Reduce the District's long-term leveraged debt position through the retirement or reduction of various bonds, certificates, and capital leases;
- Rebuild the District's unassigned reserve fund position to pre-FY2016 levels.

In order to meet these objectives, the School Board must stipulate and attempt to achieve these goals over the following three years (FY2021, FY2022, FY2023). Operating fund balances should be primarily used to replenish reserves. However, the School Board needs to seriously address the District's long-term debt and bond rating status situation. The School Board should direct District senior administration to develop and recommend a strategic plan in consultation with the Council that meets these goals over the course of these business cycles.

# APPENDIX 1 – COUNCIL MINUTES

**Robbinsdale Area Schools  
FINANCIAL ADVISORY COUNCIL (FAC)  
MINUTES for October 10, 2019**

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

**Other District Attendees:** Stephanie Burrage, Ukee Dozier, Lowell Holtz, Karylanne Marchand, Richard McGregory, Frederico Rowe, and Virginia Verbrugge

**The meeting was called to order at 6:34 PM on October 10, 2019 with the Council members noted above in attendance. This was the first meeting of the FAC’s new term. Since the end of the prior term, three new Council members were elected to replace three FAC members whose terms ended on June 30, 2019 (Cheryl Felix, Kristina Harris, and Steve Schmidgall). In addition, Greg Hein has taken the permanent position of Executive Director of Finance.**

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

With the large turnover of Council members, time was taken to go around the table and each attendee briefly introduced themselves. District staff talked about their current positions within District 281, and non-staff attendees discussed their backgrounds. Our School Board Treasurer, Helen Bassett was welcomed back to our group, and thanked for her support of the FAC.

**Selection of New FAC Chair for 2019/2020:**

Prior to the acceptance of the Agenda, Mr. Kaufman opened the discussion, as laid out in the FAC By-laws, that a Chair was to be elected for the coming year. Gregg Fishbein volunteered to become Chair for the new term. The nomination of Mr. Fishbein was made and seconded, and he was elected unanimously. As part of the transition, Mr. Kaufman volunteered to take minutes for the meetings during the coming term. The nomination of Mr. Kaufman was made and seconded, and he was elected unanimously. Mr. Fishbein then took over chairing the meeting.

**Agenda Item 2: Accept Agenda:**

Mr. Kaufman moved to accept the agenda for the October 10, 2019 meeting as distributed. The motion was seconded by Ms. Bassett, and it passed unanimously.

**Agenda Item 3: Approve April 4, 2019 Minutes:**

Mr. Kaufman moved to accept the minutes of the April 4, 2019 meeting as distributed. The motion was seconded by Ms. Bassett, and it passed unanimously.

**Agenda Item 4: Enrollment Update:**

Greg Hein gave a robust update of our current enrollment situation. The discussion of enrollment projections and their impact on our financial results has been a continuing FAC discussion. Enrollment is one of the key revenue drivers for a school district, and when budgeted enrollment deviates from actual enrollment, financial statement variances are created, which, if significantly negative, can be quite challenging. The District had a long history of actual enrollment matching quite closely to the projected amount. A number of factors have created impactful change in various forecasting variables, and during the past 5 years, actual results were significantly below projections more than one year. The District has worked very diligently to change its forecasting methodology, and has also changed consulting firms in order to achieve more accurate forecasting results. This is critical in order for the District to eliminate its Unassigned Fund Balance deficit.

Mr. Hein walked through enrollment terminology, including headcount, ADM, and WADM measurements, and showed how the District measures each during the year. The numbers are reviewed monthly to make sure we are staying on track. During the past few years, the overall direction of enrollment levels has followed a relatively consistent month-to-month pattern throughout the school year. At the beginning of this school year, the measurements showed we are running slightly ahead of projection for ADMs and WADMs. If current levels held up through the entire year, this could generate over \$200,000 of additional revenue. Questions were asked about how the State pays school districts, and how the timing of payment affects cash flow. Mr. Hein emphasized the process and procedures that are now being used to track our results; allowing us to be able to respond to any changes within a much quicker timeframe.

**Agenda Item 5: Preliminary Audit Update:**

Mr. Hein led a brief discussion about where we were in the audit process. He has met with the auditors and they are working on a number of issues and fully expect to meet the deadline for submission of our audited results to the MN Dept. of Education. No internal control items have been raised so far in the discussion which are causing alarm for the Finance staff. The process appears to be going smoothly as there has been some consistency in audit staff. The FAC has asked for the opportunity to have the auditors present their findings at an upcoming FAC meeting. Some discussion ensued regarding the order of presentation between the FAC and the School Board. Further discussion will occur. Mr. Hein's presentation centered around preliminary results in the different District Funds (General Fund, Food Service, Community Service, Self Insured Medical, and miscellaneous other funds). The largest portion of the discussion focused on the Unassigned Fund Balance of the General Fund, which is still expected to end the year at a negative \$5.8 Million level. This includes the projected \$3.8 Million loss in FY 2019 (ending June 30, 2019). District staff understood the FAC's concern about the state of our Unassigned Fund Balance.

**Agenda Item 6: Preliminary Proposed Levy Payable 2020:**

Mr. Hein led a discussion of the levy process which the District goes through each year to generate the “local” government share of its revenue as part of the property taxes paid by District residents. The proposed levy payable in 2020 provides the property tax revenue for the 2020/2021 school year. There are many components of the property tax levy. Based on the required submissions of the property tax process, the School Board approved a preliminary tax levy for Pay 20 at the maximum allowable level. This would represent an approximate 7% increase over the prior year’s levy. A Truth-in-Taxation hearing will be held on December 2, 2019 to discuss the Pay 20 levy, and final approval of the final Pay 20 tax levy is expected to occur at the December 16 School Board Meeting.

**Agenda Item 7: Future Meeting Dates:**

Historically the FAC has tried to set meeting dates based on the timing for upcoming financial activity (budget, audit, taxation, debt issuance, and general financial information review). A meeting was set for November 25 to focus on upcoming audit finalization and taxation finalization. We also hope to update our enrollment status at that meeting.

The group also scheduled an additional meeting for November 13 to act as a “learning and work session” primarily oriented to the budget and general District financial activity. With a large number of new members, and the opportunity to review for existing members, this session will help all of the people involved to get consistent information to support future discussions. Chair Fishbein asked that if members have questions or items they would like to have specifically discussed at this work session to please submit them in advance to him and Greg Hein. He also asked that if people have information they felt was helpful to understanding the finances of District 281, they should submit that information to both Gregg and Greg as well.

**Agenda Item 8: Other Items:**

Two items were raised during this discussion. The first was the announcement of the rescheduled meeting with Dr. Melcher, Finance Division Director of the MN Dept. of Education. The meeting is focused on understanding school finance. The meeting will be held Monday, October 21 at ESC, and FAC members were encouraged to attend.

The second item related to the status of a “Request for forensic audit of ISD 281”. It appears the group behind this request has attracted a sufficient number of signatures for the petition to be submitted. Signatures are being verified, and we will be made aware of what action will be taken on the petition as information becomes available.

**Agenda Item 9: Adjournment:**

The meeting was adjourned at 8:14 pm

**Minutes submitted by Lennie Kaufman**

**Robbinsdale Area Schools  
FINANCIAL ADVISORY COUNCIL (FAC)  
MINUTES FOR December 9, 2019**

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

**Other District Attendees:** Richard McGregory

**The meeting was called to order at 6:31 PM on December 9, 2019 with the Council members noted above in attendance. This was the subsequent official FAC meeting to our prior meeting on October 10, 2019. There was a learning session held on November 13 which was not considered to be an official meeting and therefore no official minutes were taken.**

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

Chair Gregg Fishbein opened the meeting welcoming the attendees.

**Agenda Item 2: Accept Agenda:**

When this item was brought forth for discussion, a request was made to amend the proposed agenda to include an update on the request for a forensic audit of ISD 281. Mr. Kaufman moved to approve the agenda, as amended, for the December 9, 2019 meeting. The motion was seconded by Mr. Schwartz, and it passed unanimously.

**Agenda Item 3: Approve October 10, 2019 Minutes:**

Mr. Schwartz moved to accept the minutes of the October 10, 2019 meeting as distributed. The motion was seconded by Ms. Swanson, and it passed unanimously.

**Agenda Item 4: Review Bylaws and Purpose/Vision (of the FAC) Moving Forward:** During a periodic review of FAC Bylaws, questions arose about two expectations of the FAC (Article VI, Sections G and H) relating to the presentation of certain information to the School Board and the dissemination of FAC activity to the broader community. This led to a broader discussion of the FAC’s role, and how to best achieve the desired outcomes in the future.

The ensuing robust discussion focused on how the FAC can better maximize its impact and support of District 281 activity, and on the decision-making process of the District Administration and the School Board. It was agreed the FAC should focus on those areas where its input was felt to be most valuable, with emphasis on audit evaluation, the budgeting process, ongoing District financial performance, and tax levy issues. Some of the issues that arose during the discussion dealt with the FAC's desire to be involved at a more strategic level, with an ongoing focus on long-term financial goals, performance against those goals, and raising issues for discussion about strategic financial alternatives—while at the same time, looking at the key annual items that have significant impact on current performance.

As this discussion was fleshed out, one item of focus became increasingly clear. It will be important to design the FAC's meeting calendar for the upcoming year so the Council can get information on a timely basis to discuss it and develop recommendations which can then be used when the Administration and School Board are discussing the related issues. There was consensus that allowing the FAC to be more proactive in our discussions will be helpful for the District. One area which was discussed, but still may need further discussion, is when the FAC receives the appropriate information to do its evaluation. The current process has the School Board getting information and discussing it first, before it is released to the FAC. This timing creates potential challenges for the FAC to evaluate the information and make recommendations early enough in the decision-making process. This can be especially true as it relates to the annual audit evaluation and the discussion regarding budget assumptions in the budgeting process. There will be further discussion about the best timeline for meetings at the next scheduled FAC meeting.

During the process of FAC Bylaw review, a request was made to also look at administrative amendments to help the Bylaws better conform to current FAC activity.

**Agenda Item 5: Final Levy Certification (for taxes) Payable in 2020:**

Mr. Hein led a discussion reviewing the process for final levy certification, and the underlying budget assumptions used to determine the final levy amount. The information was included in the presentation given during the prior week at the Truth In Taxation Meeting held for the public on Monday, December 2. We discussed various budget assumptions in the different District Financial Funds, with a focus on the projected impacts to the various fund balances.

Spirited discussion ensued regarding the impacts of open enrollment on the buildings, operations and financial results of District 281. There was also significant discussion about the unpaid student lunch receivable in the Food Service Fund, the expected performance of the Self-Insured Medical Fund, and the impact of an ongoing evaluation of the OPEB Debt Service Fund. The FAC expressed no concern over the District's projected Pay 2020 levy of \$65,553,000. This represents an increase of \$573,000 (0.88%) over the Pay 2019 levy approved in the prior year. The School Board is expected to approve this final levy at its meeting later in December.

**Agenda Item 6: Schedule Future Meeting Dates:**

Two meeting dates were discussed and are being scheduled. Those dates are January 14, 2020 and February 11, 2020. Both meetings are scheduled to start at 6:30.

**Agenda Item 7: Update on the Request for Forensic Audit of ISD 281:**

Greg Hein briefed the group regarding the status of the requested audit of District 281. Information has been requested from the District, and it has been provided. There may be additional rounds of requested information before the audit is complete. Greg indicated the information being asked for, and any discussion about that information, is confidential until a report is issued. At that time, the information will become public. No firm date for release of the report is available at this time.

**Agenda Item 8: Adjournment:**

The meeting was adjourned at 8:50 pm

**Minutes submitted by Lennie Kaufman**

**Robbinsdale Area Schools  
FINANCIAL ADVISORY COUNCIL (FAC)  
MINUTES FOR January 14, 2020**

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

**Other Attendees:** Tonya Allen (District 287), Kelly Smith ( Baker Tilly), Ginny Verbrugge (District 281 Staff), Jim Ramlet (Community at Large), Richard McGregory (District 281 Administration— arrived at 8:05 pm).

The meeting was called to order at 6:33 PM on January 14, 2020 with the Council members noted above in attendance. At the beginning of 2020, the School Board held elections for officer positions, and former Treasurer, Helen Bassett, was elected Vice Chair of the Board and Board Member Sherry Tyrrell was elected to the position of Board Treasurer, and will begin attending FAC meetings.

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

Chair Gregg Fishbein opened the meeting welcoming the attendees.

**Agenda Item 2: Accept Agenda:**

Mr. Schwartz moved to approve the agenda for the January 14, 2020 meeting. The motion was seconded by Mr. Kaufman, and the motion passed unanimously.

**Agenda Item 3: Approve December 9, 2019 Minutes:**

Mr. Kaufman moved to accept the minutes of the December 9, 2019 meeting as distributed. The motion was seconded by Mr. Hoffman, and the motion passed unanimously.

**Agenda Item 4: Review of the 2018—2019 Financial Audit:**

Greg Hein led a discussion regarding the fiscal year 2019 District 281 audit. The discussion was structured around the various Funds that make up District 281’s financial resources. The primary focus was on the General Fund—specifically the Unassigned Fund Balance of the General Fund. The revised budget for Fiscal year 2019 showed a projected General Fund Unassigned Fund balance of negative \$5.8 MM (Million), based on a starting balance of negative

\$2.0 MM and an expected operating deficit of negative \$3.8MM for the fiscal year. The actual audited results for the fiscal year showed an actual Unassigned General Fund balance of negative \$0.5 MM—an improvement of \$5.3MM from the revised budget. This difference was derived from two pieces. First, the annual operating deficit was only negative \$3.2 MM. The \$600,000 improvement was made up of several smaller improvements. The second piece (\$4.7MM) came from a draw against excess OPEB (other post-employment benefits) assets after an actuarial study was done pertaining to the value of the District’s assets and liabilities covered under OPEB regulations. After the OPEB Fund draw, there remains an actuarial excess balance slightly over \$5MM. From an internal financial reporting perspective, the total fund balance for the General Fund at June 30, 2019 is \$1.2MM – made up of an Assigned Fund Balance of \$1.7MM, and a negative \$0.5MM Unassigned Fund Balance. For the Audit presentation, the same \$1.2MM total fund balance will be shown as an assigned Fund Balance of \$1.2MM and an Unassigned Balance of \$0.

Given the negative Unassigned Fund balance, our District needs to continue to carefully manage its financial position so we do not find ourselves in a Statutory Operating Debt (SOD) situation. Under **Minnesota Statutes**, section 123B. 81, subdivision 2, a school district or charter school is in **Statutory Operating Debt** when it reports a year-end Net Negative Unreserved (Unassigned) General Fund Balance of more than 2 ½ percent of its unreserved/undesignated operating expenditures. Without the OPEB draw, it is estimated our ratio would have been near negative 2.45%.

After an extensive discussion about the General Fund, Mr. Hein then talked with the FAC about the results of various other funds. The Food Service Fund finished slightly positive (as had been budgeted). A slight negative revenue variance was offset by a slight positive expense variance. Capital expenditures had normalized after two years of elevated capital expenditures. The other item of discussion centered around the bad debt expense in this fund (unpaid meals). At June 30, 2019, this number was approximately \$679,000, but could easily rise to more than a million dollars in the coming year or two. Initial research indicated that approximately half of the students owing money are no longer in the District. If this amount needs to be charged off, it cannot be charged against the Food Service Fund, but must be charged against the General Unassigned Fund.

We then discussed the Community Service Fund which broke even versus a budgeted slight loss. Its fund balance remained unchanged. The Self-Insured Medical fund reached its predicted result of a \$1,7MM loss for the year. There was a 6% premium increase for calendar 2019, and in order to try and stabilize this fund, a 15.2% average premium increase was implemented in calendar 2020. Along with an upcoming rebidding of our plan, the premium increases are expected to stabilize this fund.

**Agenda Item 5: 2020-2021 (Fiscal 2021) Preliminary Budget Assumptions & Projections:** Mr. Hein led a discussion reviewing the preliminary assumptions and projections for the coming fiscal year. Key revenue assumptions included: enrollment decline of approximately 300 students, increase in special education aid, and a basic formula increase of 2% (which yields a total General education revenue gain of 1%). Fiscal 2021 revenues are projected to increase \$0.2MM from fiscal 2020. Key expense assumptions revolved around projected labor cost items (ups and downs), general inflation, and potential savings from a new RFP covering transportation costs. One caveat is that we are still in negotiation with most of our bargaining units. Increases will be retroactive to July 1, 2019—as that is the beginning of the new contracts

for District employees. With these assumptions, projected expenses increase \$3.0MM from fiscal 2020. With the projected revenue increase of \$0.2MM, this leaves an increased loss of \$2.8MM for fiscal 2021 (over the projected financial performance in 2020).

Other items discussed in conjunction with the budget had to do with the impact of our deteriorated financial condition on our ability to issue future bonds in support of District financial needs, and the cost of those future issuances. Kelly Smith from Baker Tilly indicted the bond rating for our District had recently been lowered to A-. Although still investment grade, it will cost more to issue debt at this new rating. Another topic of discussion was the nearly \$100MM of debt we have issued over the past five years, and its cost impact in future years. Much of that debt was for building projects and the cost of opening new schools.

This led to a discussion regarding whether we have the right number of schools open today given the cost of operating them and needed capital improvements. No conclusion was reached, but this may be a topic for further discussion to give the FAC a better understanding of what District plans and goals are regarding our buildings. We also briefly touched on the District's investment management process, and whether the FAC should take a look at that process. No conclusion was reached.

**Agenda Item 6: Future Meeting Dates:**

We reaffirmed the date for our next meeting as February 11, and chose March 31 as the date for the next meeting beyond that. Both meetings are scheduled to start at 6:30.

**Agenda Item 7: Other.**

Greg Hein briefly updated the group regarding the status of the requested forensic audit of District 281. Information continues to be requested from the District and that information is being provided. Greg reaffirmed the information being asked for, and any discussion about that information, is confidential until a report is issued. At that time, the information will become public. No firm date for release of the report was available at this time.

**Agenda Item 8: Adjournment:**

After a proper motion was made and seconded to adjourn our meeting, the meeting was adjourned at 8:11 pm

**Minutes submitted by Lennie Kaufman**

**Robbinsdale Area Schools  
FINANCIAL ADVISORY COUNCIL (FAC)  
MINUTES FOR February 11, 2020**

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

**Other Attendees:** Tonya Allen (District 287), and Richard McGregory (District 281 Administration).

The meeting was called to order at 6:35 PM on February 11, 2020 with the Council members noted above in attendance.

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

Chair Gregg Fishbein opened the meeting welcoming the attendees.

**Agenda Item 2: Accept Agenda:**

Mr. Kaufman moved to approve the agenda for the February 11, 2020 meeting. The motion was seconded by Ms. Swanson, and the motion passed unanimously.

**Agenda Item 3: Approve January 14, 2020 Minutes:**

Mr. Kaufman moved to accept the minutes of the January 14, 2020 meeting as distributed. The motion was seconded by Ms. Swanson, and the motion passed unanimously.

**Agenda Item 4: 2019-2020 Revised Budget:**

Mr. Hein led a discussion reviewing the revised budget for the current fiscal year (2019/2020). This presentation was the same as was provided to the School Board at their work session on February 3<sup>rd</sup>. The primary focus was on those items affecting our General Fund. Overall, Greg still expects us to finish the year with General Fund revenues exceeding expenses by approximately \$1.1 Million. This would bring the unassigned fund balance from a negative \$500,000 at the end of fiscal year 2019 to a positive \$600,000 at June 30, 2020 (the end of fiscal year 2020).

Importantly for our financial results enrollment appears to be on track with the forecast (decline of 300 students) and might even finish slightly higher than forecast. There were also some positive changes made by the legislature including the phase out of the cap on special education funding (which impacted District 281 significantly) and the addition of “cross-subsidy” reduction funding to prevent the cross-subsidy from growing worse. The biggest impact to the expense side of the equation were based on changes to compensation levels for additional staff supporting special education along with necessary additional class size remediation additions.

Agreement was reached on our contract with teachers which will be retroactive to July 1, 2019. The contract was settled within the budget parameters. Other bargaining unit contracts remain open at this time, and these settlements could affect overall financial results.

We also discussed other components of the General Fund. It is still believed that increases and decreases within these funds will offset each other and will end the year in a fund balance position where we expected them to be. We then discussed the budget assumptions in a few other funds, and any key issues pertaining to them. There continues to be a concern about the growth in the bad debt expense in the Food Service Fund. This number will approach \$1,000,000 in the not too distant future. If write-offs are to come, they would impact the General fund. If we wrote off the debt at the end of fiscal year 2020, it would wipe out the projected positive balance in our General Fund unassigned reserve. In the Self Insured Medical Fund we still expect the fund balance to be positive by the end of calendar year 2020 due to recent premium increases. There was also further discussion about our OPEB Fund. Even after taking almost \$5MM from the fund to reimburse the General Fund for covered costs, a surplus of slightly more than \$6MM will exist based on the most recent actuarial evaluation. That surplus can only be used for covered OPEB costs and cannot be used to support other activity.

**Agenda Item 5: Discussion regarding the final 2018—2019 Financial Audit:**

Greg Hein led a discussion regarding the fiscal year 2019 District 281 audit. As the financial results had not changed from those discussed at our prior meeting, the discussion focused on issues raised on the management letter relating to internal controls. There were no repeat items from the prior year that reached the level to be raised in this year’s audit. The auditors indicated that District 281 was complying with applicable Government regulations. The issues raised in the Management Letter included:

- Completion of monthly cash reconciliation on a timely basis
- Correct allocation of salary costs to Title 1 and Special Ed Cluster programs
- Need to include payments made electronically for School Board approval
- Multiple items pertaining to Extracurricular Student Activity Accounts
- Escheatment (Unclaimed Property) activity.

In reviewing these items, Greg Hein discussed the status of each, and the Committee felt the appropriate attention and response was being (or had been) put forth to deal with the issues appropriately. There was a discussion about the cost / benefit balance regarding remediating issues raised in conjunction with Extracurricular accounts, and it was felt the District was choosing an acceptable path. A good discussion also occurred regarding how the District protects itself from attempts at fraud which might arise in the area of electronic payments.

We have been with MMKR as our auditor for approximately five years. Greg felt they were doing a good job in serving and supporting District 281. MMKR has a large share of school districts as clients and has developed significant expertise in school district finance.

**Agenda Item 6: Future Meeting Dates:**

We reaffirmed the date for our next meeting as March 31, and chose May 12 as the date for the next meeting beyond that. Both meetings are scheduled to start at 6:30.

**Agenda Item 7: Other.**

Greg Hein briefly updated the group regarding the status of the requested forensic audit of District 281. Greg reaffirmed the information that was asked for, and any discussion about that information, is confidential until a report is issued. At that time, the information will become public. No date for release of the report was available currently.

**Agenda Item 8: Adjournment:**

After a proper motion was made and seconded to adjourn our meeting, the meeting was adjourned at 7:29 pm

**Minutes submitted by Lennie Kaufman**

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

<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**

# APPENDIX 2 – DOCUMENTS PROVIDED TO COUNCIL

- Auditor’s Management Report – Fiscal Year Ended 06/30/2019
- BakerTilly Report – District 281 General Obligation Debt, 2021-2040
- Comprehensive Annual Financial Report – Fiscal Year Ended 06/30/2019
- District Revenues and Expenditures Budget for Fiscal Year 2018-2019
- Enrollment and Building Capacity Data – FY2020
- FY2019 Final Audit Presentation – 01/06/2020 Board Work Session (v2)
- FY2020 Revised Budget – 02/03/2020 Board Work Session
- FY2021 Preliminary Budget Assumptions and Projections – 01/06/2020 Board Work Session
- FY2021 Preliminary Budget Presentation – 05/04/2020 Board Work Session
- LTFM 10-Year Projections – 04/09/2020
- Preliminary Levy Pay 2019 – Final, 09/23/2019
- Resolution Establishing OPEB Advisory Committee
- State Forensic Audit Report – 06/15/2020
- Truth in Taxation Presentation – 12/02/2019

Individual focus. Infinite potential.

## School Board of Robbinsdale Area Schools

Work Session – August 3, 2020

**AGENDA SECTION:** Work Session

**ITEM:** 2. School Start Time Summary

**COMMENTS BY:** Dr. Stephanie Burrage, Assistant Superintendent; Interim Superintendent (August 4, 2020)

The School Board will have an opportunity to hear a summary about school start times. An opportunity for Q & A will take place during the allotted time on the agenda.

Individual focus. Infinite potential.

## School Board of Robbinsdale Area Schools

Work Session – August 3, 2020

**AGENDA SECTION:** Work Session

**ITEM:** 3. District Updates

**COMMENTS BY:** Dr. Stephanie Burrage, Assistant Superintendent; Interim Superintendent (August 4, 2020)

The School Board will have an opportunity to hear district updates, including the current planning for the re-opening of schools this fall. An opportunity for Q & A will take place during the allotted time on the agenda.