

**FINANCIAL ADVISORY COUNCIL (FAC)
MINUTES FOR May 17, 2022
APPROVED November 15, 2022**

Present	FAC Members
X	Lennie Kaufman, Chair
X	Walter Gray
X	Earl Hoffman, Secretary
	Greg Kugler
X	O. Barry Rogers
X	Howard Schwartz
	Terry Swanson
	School Board Member
X	John Vento, Treasurer
	District 281 Staff
X	David Engstrom, Superintendent
X	Ukee Dozier, Executive Director of Finance
X	Virginia Verbrugge, Assistant Director of Finance
X	Karylanne Marchand, Business Office Manager
X	Kelly Smith, Baker Tilly

Agenda Item 1: Welcome and Introductions:

Chair Lennie Kaufman called the meeting to order at 6:34 PM, with the FAC members and others noted above in attendance. The meeting was held via Zoom. Mr. Kaufman opened the meeting by welcoming the attendees.

Agenda Item 2: Acceptance of Agenda:

The agenda was distributed to the members prior to the meeting. A motion was properly made and seconded to accept the distributed agenda as amended. The motion passed unanimously.

Agenda Item 3: Approve the Minutes of FAC meeting on March 29, 2022:

The minutes were distributed to the members prior to the meeting. A motion was properly made and seconded to accept the minutes. The motion passed unanimously.

Agenda Item 4: FY23 Budget Projection:

Mr. Dozier first went over the assumptions underlying the projection. These are as follows:

- 2% (\$135) increase in state aid per pupil.
- 2.87% (318) decrease in enrollment. This results in a projected \$2.1 million (M) decrease in state funding.

- 1.96% average salary increase, plus a 1.22% impact of “steps and lanes.” Mr. Dozier noted that the District has settled all labor contracts except the one with principals.
- Labor costs are actually projected to decrease by \$1.27M due to staff reductions.
- 18% increase in fuel, materials, and other services.
- Special education staffing cost will be slightly lower, but SPED transportation cost will be higher.

These assumptions result in revenue that’s \$2.2M lower, expenses \$4.5M higher, and the unassigned fund \$0.4M higher. The resulting projected net General Fund shortfall is \$7.1M, to be covered by ESSER I and II (which end in September 2024) and other funds. Mr. Dozier’s General Fund recommendations are:

- Utilize alternative funding to maintain current staff and program levels.
- Grow the unassigned fund and focus on minimizing expenses in light of inflation.
- Invest in growing enrollment, with emphasis to retain and recruit resident students. This includes investment in Pathways.

For the Child Nutrition Fund, Mr. Dozier projects revenue to decrease, due to the end of the USDA free meal program (where government entities paid the full cost of student meals) and expenses to increase, due to much higher cost of food and supplies. Overall, he projects this fund will decrease slightly in FY23. School lunch debt will continue to be an issue, with the goal to maintain a healthy fund balance and to look for sources of alternative funding after the USDA program ends. The Community Education fund balance is expected to remain healthy as both revenue and expenses are budgeted slightly over \$10M.

The Building and Construction Fund and Debt Service Fund are both projected to be fairly stable. The Dental Fund projection shows revenue slightly above expenses, with the fund balance remaining at approximately (\$0.1M) negative. There was no premium increase in FY22, but the District will look into an increase for FY23. The Medical Fund projection shows \$20.2M in revenue, reflecting a 15% increase in employee and employer premiums, and \$19.1M in claims, reflecting a 2.5% increase due to COVID-related claims. The Medical Fund balance is projected to be (\$1.5M) negative at 6/30/2022. Longer term, the rise in medical cost will continue to be an issue.

Both the OPEB and Debt Service Funds are projected to have revenue and expense that approximately balance out. Mr. Dozier noted that, at 6/30/2021, the OPEB Fund had \$16.9M in assets and \$7.2M in liabilities.

There will be a budgetary work session with the Board on June 7. The Board will approve a FY23 budget at its regular June 20, 2022 meeting.

Mr. Schwartz expressed concern about the school lunch debt and the end of 100% federal

funding—what will the District be doing differently from the time the debt was accumulated, so as not to increase the deficit? Mr. Engstrom said that the District encourages parents to complete and submit the reduced lunch pricing forms by publicizing this effort as a benefit to the District that helps fund many programs. He said that the problem now is that families have gotten out of the habit of completing the form after more than a year of federally funded lunches. Mr. Vento said that, by law, the District can't withhold meals or use collection agencies to recover the debt, so essentially the debt represents an unfunded mandate.

Mr. Hoffman asked whether the projected General Fund deficit was brought up during recent labor contract negotiations. Mr. Kaufman expressed concern that the District is funding (with one-time money) the ongoing salary and benefit increases that will never decrease, even after the one-time funds are used. Mr. Dozier responded that, in order to prevent a large exit of employees, he went with a "hold harmless" approach that used one-time funds to cover salary and benefit increases in FY23. He said that this issue will need to be addressed after FY23.

Mr. Schwartz asked whether the District's labor contract negotiators considered one-time bonuses or other one-time benefits in lieu of salary increases that will last well into the future. He further asked how the portion of the state surplus that the legislature may allocate to education will help the District. Mr. Vento responded that he hasn't seen the full tax and spending bill and that the Board is still trying to figure out what portion of any new state funds will be sustainable over multiple years. He emphasized that our District is competing against other districts for staff; if our salary and benefits package isn't competitive, teachers and other employees will leave for better paying districts. The Board's big concern, he said, is maintaining the enrollment level.

Mr. Kaufman observed that the Dental Fund once had been positive and asked if the District has looked into a fully insured dental plan, as opposed to the present self-funded plan. Mr. Dozier responded that there was no dental premium increase last year and felt that there will need to be an increase in the coming year. Mr. Schwartz asked about the dental benefit cap and mentioned that the present Delta dental plan has only single and family rates. This makes family coverage expensive, so many employees get family coverage only when their spouses or children need dental work. He asked whether the rates could be better structured to encourage more employees to cover family members (e.g., premium levels for spouse only, children only, etc.) Mr. Vento said that the District's insurance bargaining unit gets bids every other year and checks on the alternative plans that are available.

Mr. Kaufman asked Mr. Dozier about his comfort level with the FY23 budget assumptions. Mr. Dozier said that he's relatively comfortable with the enrollment projection, since the FY22 actual enrollment is tracking well with last year's projection. He said that he prefers to be conservative in his assumptions

Agenda Item 5: FAC membership: The terms of Messrs. Schwartz, Hoffman, and Terry Swanson end on June 30. Mr. Schwartz announced that he will not seek reappointment to FAC, and Mr. Hoffman has moved outside of the District. Mr. Vento said that the Board will be looking for new FAC members. Mr. Vento expressed his and the Board's appreciation for Mr. Schwartz' long and dedicated service to the FAC and to the District. During his tenure on

the FAC, Mr. Schwartz brought his broad knowledge of school and organizational finances and a deep concern for the welfare of our District.

Agenda Item 6: Future Meeting Dates, Other Items, and Adjournment:

The FAC was scheduled to make its annual presentation to the Board on June 7, 2022; this was subsequently postponed to the August 1, 2022 Work Session. The next regular FAC meeting will be in September.

After a motion was made and seconded to adjourn, the meeting was adjourned at 7:45 PM.

Minutes submitted by Earl Hoffman