



Citizens Finance Advisory Committee

November 17, 2022



Agenda

- **Introductions and Purpose**
- **FY 2021-22 Audit Report**
- **LTFM Planning**
- **OPEB Update**
- **2022 Payable 2023 Levy**
- **Agenda Discussion**



We prepare every student to achieve their personal best, engage in lifelong learning, and be a thoughtful and responsible citizen.

[Strategic Plan](#)



2021-22 Audit Results

Pam Jensen, SFO
Finance Manager



FY 2021-22 Audit

- Audit Reports
 - ACFR-Annual Comprehensive Financial Report
 - Executive Audit Summary
 - Single Audit
- Clifton Larson Allen LLP presented Audit Report on November 14, 2022 to ECCS School Board



FY 2021 - 22 Audit Results

- Audit Opinion
- Yellow Book Compliance
- Internal Controls
- Single Audit
- Minnesota Legal Compliance
- New Accounting Standards - GASB 87, Leases



FY 2021 - 22 Audit Results - General Fund

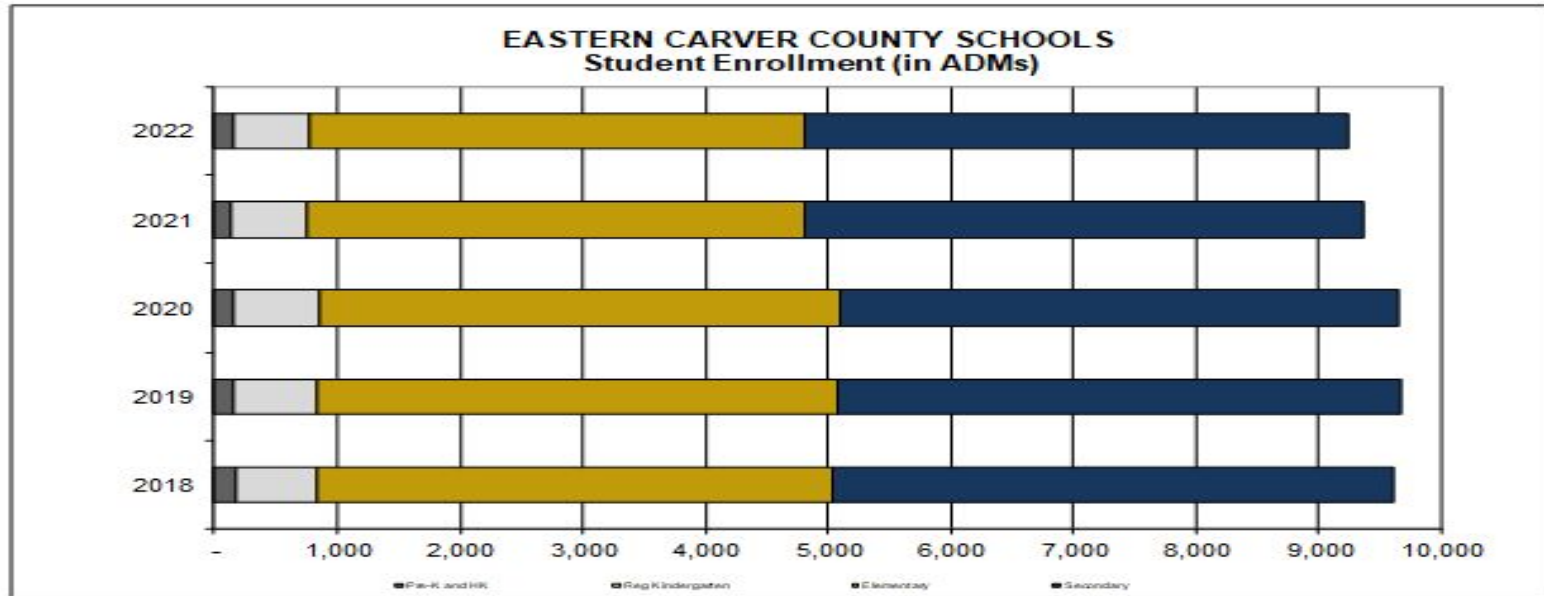
FUND DESCRIPTION	6/30/21 AUDITED BALANCE	2021-22 AUDITED REVENUES	TRANSFERS INTO FUNDS	2021-22 AUDITED EXPENDITURES	6/30/22 AUDITED BALANCE
GENERAL FUND					
A. UNASSIGNED - OPERATING	\$ 8,394,547	\$ 118,294,004	\$ (2,337,687)	\$ 111,983,031	\$ 12,367,832
As a percentage of current year operating expenditures	6.38%				9.09%
B. NONSPENDABLE FOR					
PREPAID ITEMS	58,542	\$ 260,905		\$ 58,542	260,905
INVENTORY	-				-
TOTAL NONSPENDABLE	\$ 58,542	\$ 260,905		\$ 58,542	\$ 260,905
C. RESTRICTED FOR					
CAREER AND TECHNICAL PROGRAM	\$ (0)	\$ 337,637	\$ 1,011,086	\$ 1,348,723	(0.00)
ALTERNATIVE LEARNING CENTER	0	1,655,323		1,593,187	62,136
LEARNING AND DEVELOPMENT	(0)	2,033,526	178,720	2,212,246	(0.00)
ACHIEVEMENT AND INTEGRATION	0	940,937		940,937.44	-
MEDICAL ASSISTANCE	395,516	344,526		297,800	442,242
GIFTED AND TALENTED	0	131,885	588,733	720,617	0.00
BASIC SKILLS	293,499	1,541,924		1,647,263	188,160
SAFE SCHOOLS	135,804	375,731		487,011	24,524
CAPITAL PROJECTS	256,515.79	2,006,876		1,952,485.53	310,906
STAFF DEVELOPMENT	5,123	1,364,071	1,474	1,370,668	(0)
STUDENT ACTIVITIES	164,120	209,824		157,818	216,126
LONG-TERM FACILITY MAINTENANCE (LTFM)	154,082.19	6,397,480		6,737,191	(185,629)
OPERATING CAPITAL	745,626.52	2,176,100		1,964,443	957,283
TOTAL RESTRICTED	\$ 2,150,286	\$ 19,515,839	\$ 1,780,013	\$ 21,430,391	\$ 2,015,747
D. ASSIGNED FOR					
TRANSPORTATION	\$ 513,510				\$ 513,510
SEPARATION/RETIREMENT BENEFITS	1,142,326	-	557,674	-	1,700,000
MTSS-ADSI	1,265,398				1,265,398
CAPITAL MAINTENANCE-VICTORIA FIELD HOUSE	80,000				80,000
ALTERNATIVE COMPENSATION Q-COMP	482,964	2,522,682		2,546,752	458,894
ENERGY EFFICIENCY	190,362	21,050		2,646	208,766
FUTURE USE-DONATION/SALE OF LAND	4,606,505	2,000,000			6,606,505
SITE CARRY-OVER	535,017	113,933			648,950
TOTAL ASSIGNED	\$ 8,816,082	\$ 4,657,664	\$ 557,674	\$ 2,549,398	\$ 11,482,022
TOTAL GENERAL FUND	\$ 19,419,458	\$ 142,728,412	\$ -	\$ 136,021,361	\$ 26,126,507
BUDGET		\$ 139,132,116	\$ -	\$ 136,022,446	22,529,128
DIFFERENCE		\$3,596,296	\$ -	(\$1,085)	\$3,597,379
% VARIANCE		2.58%		0.00%	

FY 2021 - 22 Audit Results - Other Funds

FUND DESCRIPTION	6/30/2021 AUDITED BALANCE	2021-22 AUDITED REVENUES	TRANSFERS INTO FUNDS	2021-22 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/22 AUDITED BALANCE
NUTRITION SERVICES BUDGET		\$ 7,335,144		\$ 7,488,437		\$ 2,280,112
NUTRITION SERVICES	\$ 2,433,405	\$ 8,823,807	\$ -	\$ 6,682,217	\$ -	\$ 4,574,995
DIFFERENCE		\$ 1,488,663		\$ (806,220)		\$ 2,294,883
% VARIANCE		20.29%		-10.77%		
TOTAL COMMUNITY SERVICE BUDGET		\$ 8,359,027		\$ 8,131,330		\$ 813,226
TOTAL COMMUNITY SERVICE	\$ 585,529	\$ 8,669,950	\$ -	\$ 7,902,574	\$ -	\$ 1,352,905
DIFFERENCE		\$ 310,923		\$ (228,756)		\$ 539,679
% VARIANCE		3.72%		-2.81%		
TOTAL CAPITAL PROJECTS - BLDG CONSTR BUDGET		\$ 11,927,454		\$ 9,302,435		\$ 3,013,013
TOTAL CAPITAL PROJECTS - BLDG CONSTR	\$ 387,994	\$ 11,971,110	\$ -	\$ 6,758,966	\$ -	\$ 5,600,138
DIFFERENCE		\$ 43,656		\$ (2,543,469)		\$ 2,587,125
TOTAL DEBT SERVICE BUDGET		\$ 17,864,669		\$ 32,714,415		\$ 35,427,859
TOTAL DEBT SERVICE	\$ 50,277,605	\$ 17,067,962	\$ -	\$ 32,714,215	\$ -	\$ 34,631,352
DIFFERENCE		\$ (796,707)		\$ (200)		\$ (796,507)
% VARIANCE		-4.46%		0.00%		
PROPRIETARY & TRUST	\$ 15,022,286	\$ 9,544,500	\$ -	\$ 11,778,420	\$ -	\$ 12,788,366
TOTAL	\$ 88,126,275	\$ 198,805,741	\$ -	\$ 201,857,753	\$ -	\$ 85,074,263

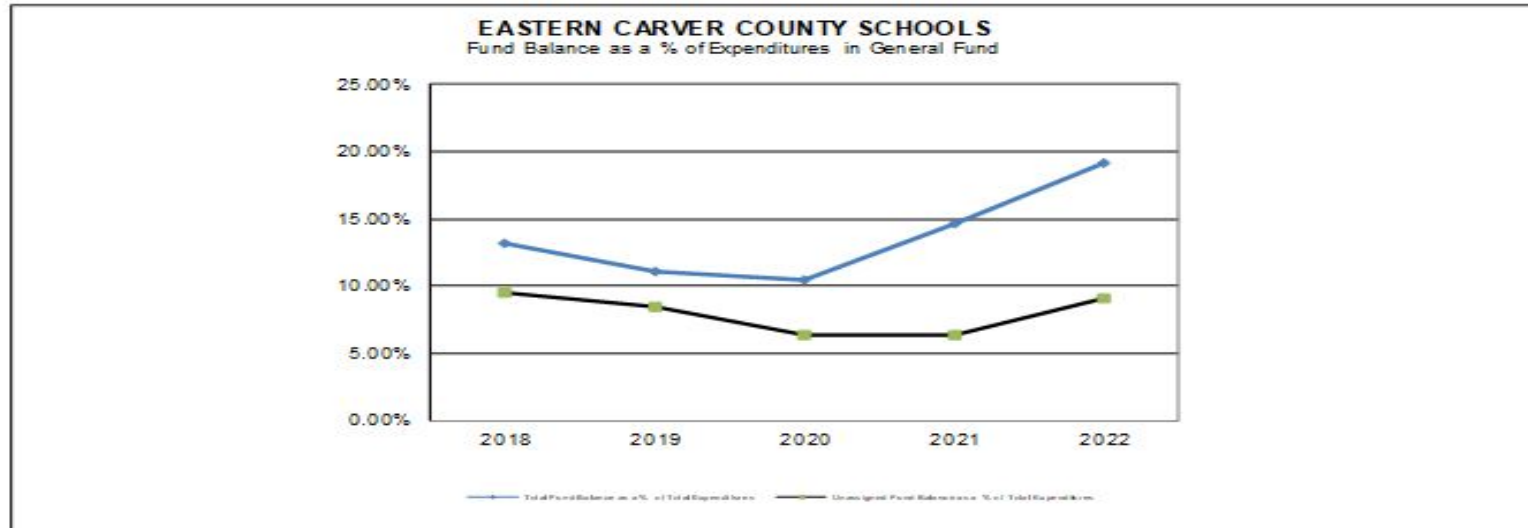
FY 2021 - 22 Audit Results - ADM's Served

	2018	2019	2020	2021	2022
Pre-K and HK	166.95	146.28	148.71	133.28	161.06
Reg Kindergarten	670.00	694.08	704.87	627.19	614.60
Elementary	4,204.96	4,243.41	4,244.52	4,055.92	4,029.02
Secondary	4,572.90	4,586.23	4,550.50	4,538.71	4,439.57
Net ADM Served	<u>9,614.81</u>	<u>9,670.00</u>	<u>9,648.60</u>	<u>9,355.10</u>	<u>9,244.25</u>
Percent Change	1.09%	0.57%	-0.22%	-3.04%	-1.18%



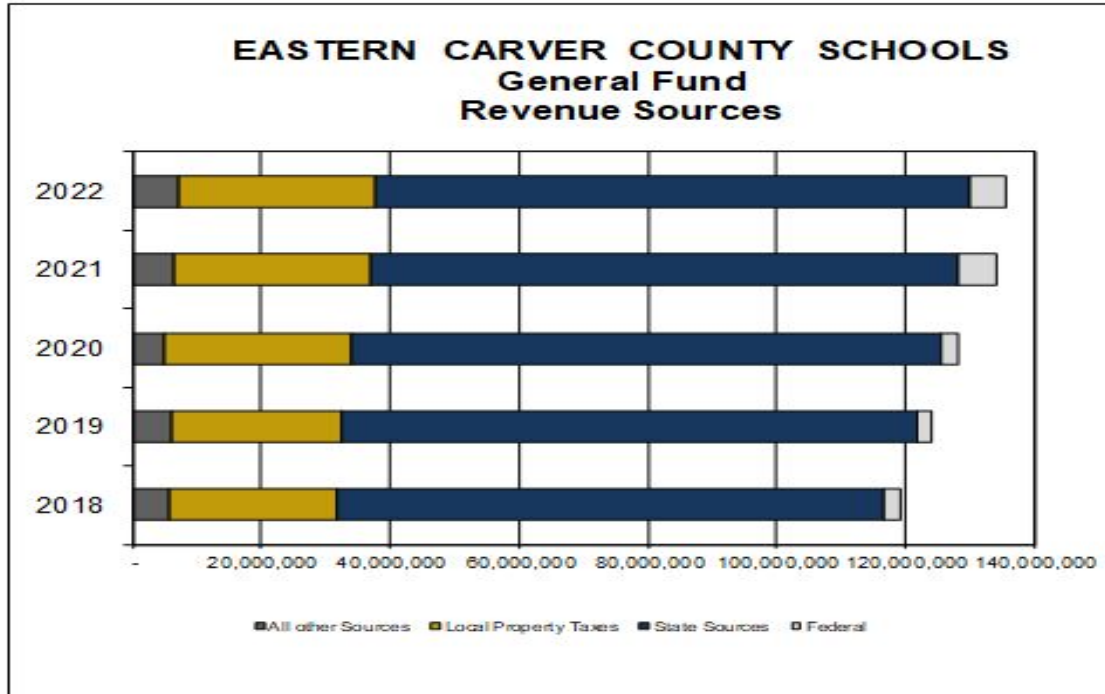
Audit Results-General Fund Balance as a % of Expenditures

	2018	2019	2020	2021	2022
Unassigned Fund Balance	\$ 11,180,798	\$ 10,660,042	\$ 8,171,437	\$ 8,394,545	\$ 12,367,832
Assigned Fund Balance	2,814,814	2,835,932	2,996,063	8,816,082	11,482,022
Restricted Fund Balance	1,328,466	255,281	2,059,732	2,150,287	2,015,748
Nonspendable Fund Balance	210,909	173,719	174,282	58,542	260,905
Total Fund Balance	\$ 15,534,987	\$ 13,924,974	\$ 13,401,514	\$ 19,419,456	\$ 26,126,507
Total Expenditures	\$ 118,056,376	\$ 125,773,413	\$ 128,479,462	\$ 132,237,551	\$ 136,021,361
Total Fund Balance as a % of Total Expenditures	13.16%	11.07%	10.43%	14.69%	19.21%
Unassigned Fund Balance as a % of Total Expenditures	9.47%	8.48%	6.36%	6.35%	9.09%



Audit Results-General Fund Revenue Sources

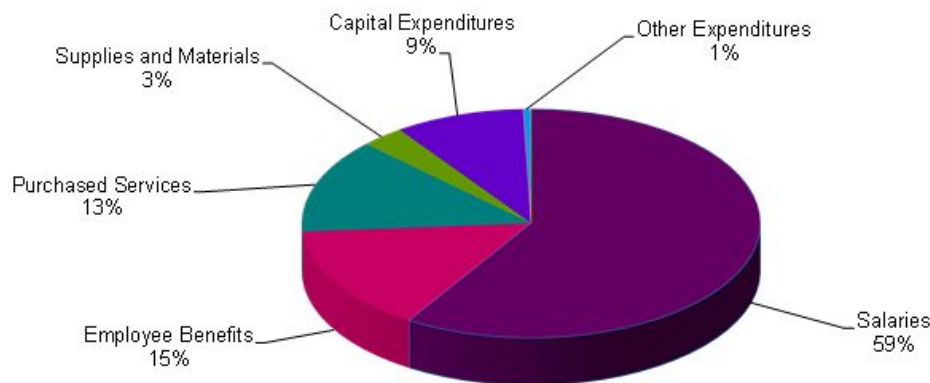
	2018	2019	2020	2021	2022
Local Property Taxes	\$ 25,939,168	\$ 26,433,846	\$ 28,980,262	\$ 30,492,311	\$ 30,523,562
State Sources	84,895,247	89,273,990	91,497,077	91,176,434	92,390,036
Federal Sources	2,523,922	2,419,042	2,421,112	5,854,359	5,717,833
All Other Sources	5,745,459	6,014,089	5,051,497	6,446,021	7,070,162
Total Revenues	<u>\$ 119,103,796</u>	<u>\$ 124,140,967</u>	<u>\$ 127,949,948</u>	<u>\$ 133,969,125</u>	<u>\$ 135,701,593</u>



Audit Results-General Fund Expenditures by Object

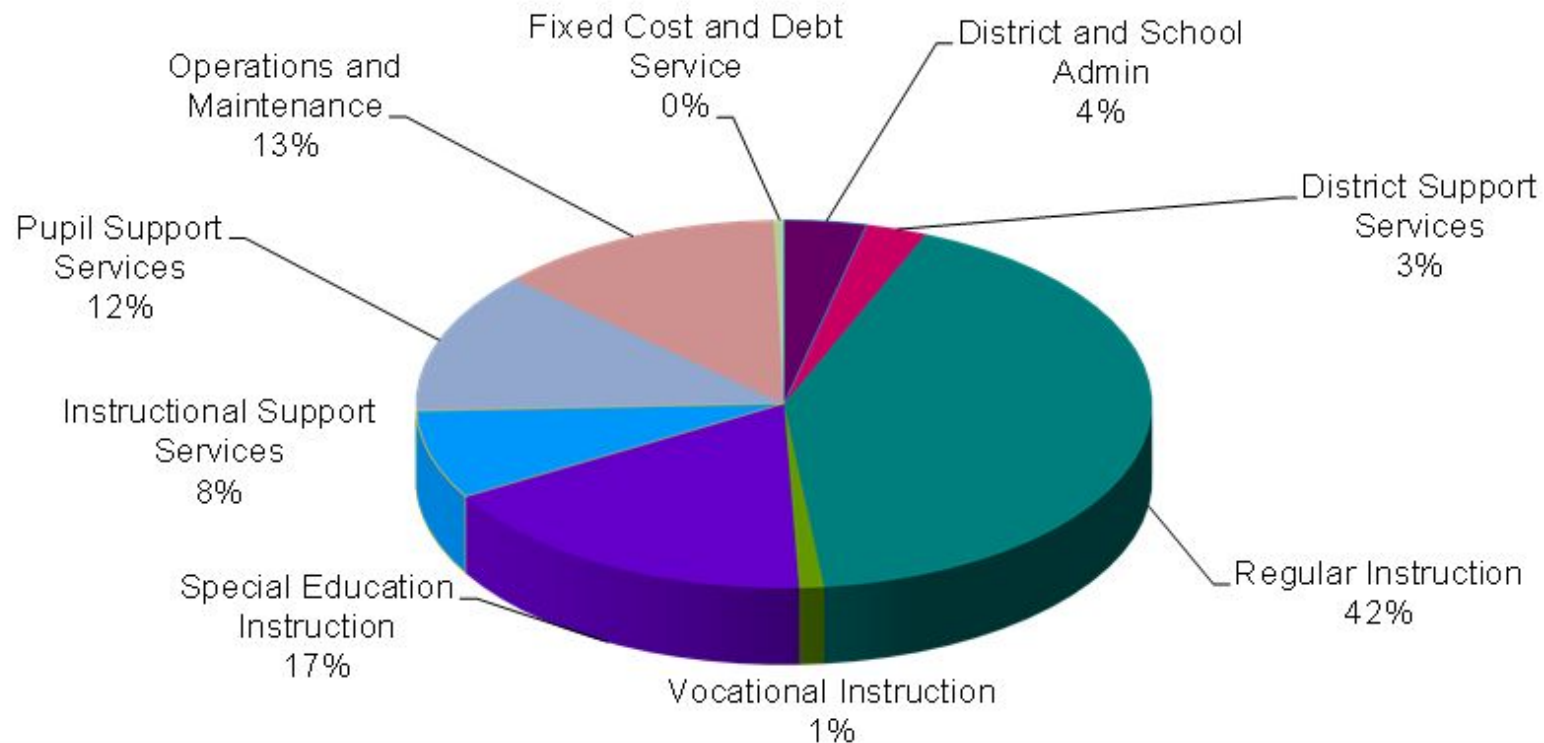
	2022		2021		2020
	Final Amended Budget	Actual	Over (Under) Budget	%	Actual
Salaries	\$ 81,741,517	\$ 81,410,469	\$ (331,048)	-0.4%	\$ 77,899,707
Employee Benefits	21,124,277	20,402,500	(721,777)	-3.4%	19,751,758
Purchased Services	14,521,980	15,477,506	955,526	6.6%	17,637,893
Supplies and Materials	4,510,080	4,926,889	416,809	9.2%	4,057,417
Capital Expenditures	12,569,476	12,695,717	126,241	1.0%	12,156,591
Other Expenditures	1,555,117	1,108,280	(446,837)	-28.7%	734,185
Total Expenditures	\$ 136,022,447	\$ 136,021,361	\$ (1,086)	0.0%	\$ 132,237,551

General Fund Expenditures by Object Series for Fiscal 2021-22



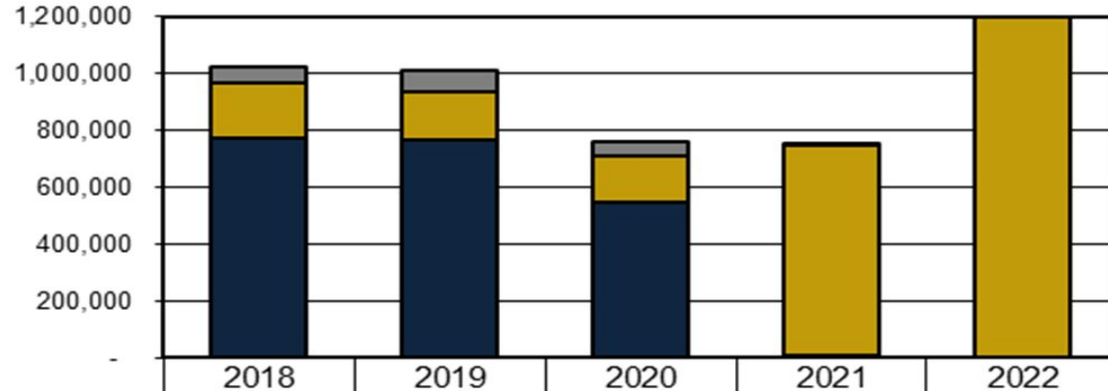
Audit Results-General Fund Expenditures by Program

General Fund Expenditures by Program Dimension for Fiscal 2022



Audit Results-Special Revenue Funds- Nutrition

MEALS SERVED TO STUDENTS



	2018	2019	2020	2021	2022
Reduced Price Meals	59,958	73,543	50,443	461	-
Free Meals	190,438	170,104	166,654	743,297	1,195,056
Full-Price Meals	773,514	764,899	543,466	6,201	-
Total meals served	1,023,910	1,008,546	760,563	749,959	1,195,056

■ Full-Price Meals

■ Free Meals

■ Reduced Price Meals

FY 2021-22 Audit - ASBO COE

ASBO Certification of Excellence in Financial Reporting

2020-21 was the 11th consecutive year the District received the award and the 2021-22 ACFR will be submitted for consideration

Questions?



Long Term Facility Maintenance Plan

Jim Muenzenmeyer
Director of Building & Grounds





LTFM











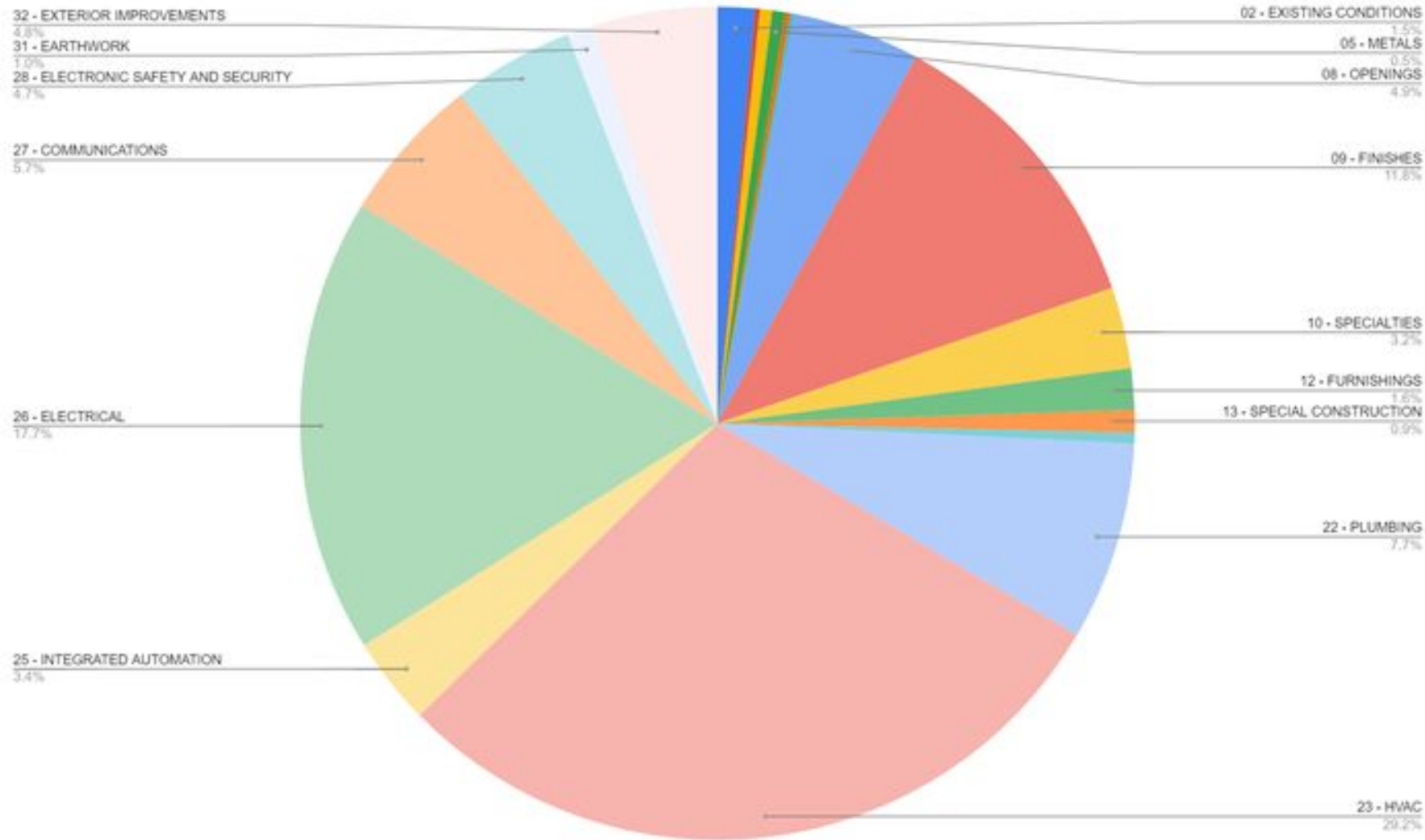




Chaska Middle School East

- \$31M two-summer renovation
 - \$20M first year to include pool, gym and entire second floor – starts May 2023
 - \$11M second year to include pavement and first floor
- Major renovation categories include:
 - Roofing
 - Electrical
 - Plumbing
 - HVAC
 - Lighting
 - Interior surfaces
 - Abatement





Chaska Middle School West

- \$25M two-summer renovation
 - \$15M first year to include gym and entire second floor – starts May 2025
 - \$10M second year to include pavement and first floor
- Major renovation categories include:
 - Roofing
 - Electrical
 - Plumbing
 - HVAC
 - Lighting
 - Interior surfaces
 - Abatement



La Academia

- \$13M two-summer renovation
- Major renovation categories include:
 - Roofing
 - Electrical
 - Plumbing
 - HVAC
 - Lighting
 - Interior surfaces
 - Abatement



Smaller projects for this coming summer....

- LAA – replacement of exterior doors
- CRE – replacement of exterior site screen wall
- JES – replacement of skylights
- CHS – original carpeting replacement & tuck-pointing
- VES – HVAC louver replacements & re-caulk control joints/windows/doors
- PRMS – Repair stucco and repaint exterior



FUTURE LTFM WORK...

- Replace 30 year old flooring
- Replace leaking windows
- Re-key buildings to increase security
- Provide critical HVAC component replacement
- Recondition existing parking lots
- Ensure athletic fields and courts are maintained in safe conditions
- Provide energy efficient lighting upgrades
- All Health & Safety work including, abatement, IAQ, training, fire safety, hazardous substance and physical hazard control.



Eastern Carver County Schools ISD #112

OPEB Trust

Market and Investment Strategy Update Report

Brian Johnson, Director PFM
Danny Nelson, Director PFM

November 17, 2022

612.338.3535 | pfmam.com

PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

Summary of Actuarial Data

- ▶ Actuarial Value of Assets: \$7,444,014
- ▶ Actuarial Accrued Liability : \$8,630,342
- ▶ Funded Ratio: 86%
- ▶ Discount Rate: 3.00%
- ▶ Medical Trend Rate: 6.50% decreasing to 5.00% over 6 years, then 4% over the next 54 years
- ▶ Normal Cost: \$656,772
- ▶ Benefit Payments: \$426,182
- ▶ Active / Retired: 1,204/49

Schedule of Benefit Payments by Type

Year Beginning July 1 and Ending June 30 of the Following Year	Implicit Subsidy Only Payments	Subsidized Payments	Total Projected Net Payments
2022	\$411,991	\$62,274	\$474,265
2023	\$447,731	\$64,246	\$511,977
2024	\$515,189	\$58,018	\$573,207
2025	\$535,685	\$58,998	\$594,683
2026-2030	\$3,395,620	\$145,228	\$3,540,848
2031-2035	\$3,957,014	\$226,208	\$4,183,222
2036-2040	\$4,456,668	\$270,993	\$4,727,661
2041-2045	\$4,547,089	\$214,294	\$4,761,383
2046-2050	\$4,352,511	\$102,578	\$4,455,089
2051-2055	\$4,176,930	\$30,758	\$4,207,688
2056-2060	\$2,097,107	\$13,178	\$2,110,285
2061-2065	\$369,846	\$625	\$370,471
2066-2070	\$22,493	\$0	\$22,493
2071-2075	\$0	\$0	\$0

Source: Eastern Carver County Schools OPEB Actuarial Valuation Report as of June 30, 2022 (Valuation Date as of June 30, 2021)

Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▷ Persistently high inflation
 - ▷ A deteriorating housing market
 - ▷ Continued personal consumption that is impacting household savings and balance sheets
 - ▷ Worsening economic outlook that is propped up by a strong labor market



- ▶ The Federal Reserve has committed to a heavy-handed policy
 - ▷ Expectations have shifted from a soft landing to a moderate / hard landing, with increased recession risks
 - ▷ Short-term Fed Funds rate projected to reach 4.25% to 4.50% by year-end
 - ▷ Increased pace of quantitative tightening



- ▶ Rapidly rising rates negatively impacting valuations and inducing market volatility
 - ▷ Yields across the curve have reached their highest levels in 14 years
 - ▷ Treasury yield curve remains inverted
 - ▷ Elevated volatility across all major asset classes

Global ex-U.S. Economic Update

► Global:

- The United Nations called for a reverse course on raising rates, stating that it is leading the world into a global recession and prolonged stagnation, while the International Monetary Fund (“IMF”) cut its global growth forecast for next year to 2.7%

► Europe:

- Recent Eurozone consumer prices continued to break records with a 10% year-over-year increase as high food and energy prices related to Russian sanctions continue to drive increases

► Asia:

- Chinese domestic tourism sales on National day suffered due to continued zero-Covid policies, with trips down 18% year-over-year and spending down to \$40 billion from a pre-Covid \$91 billion in 2019

► Americas:

- Canadian homes sales were down 32.2% year-over-year, while home prices fell for the seventh consecutive month as 5-year fixed mortgage rates hit a 14 year high

► Middle East & Africa:

- Egyptian authorities move closer to tying up a financial package with the IMF as it struggles with an import bottleneck due to its dwindling foreign currency reserves

► Oceania (Australia & New Zealand):

- The Reserve Bank of Australia approved another increase to the cash rate target by 25 basis points



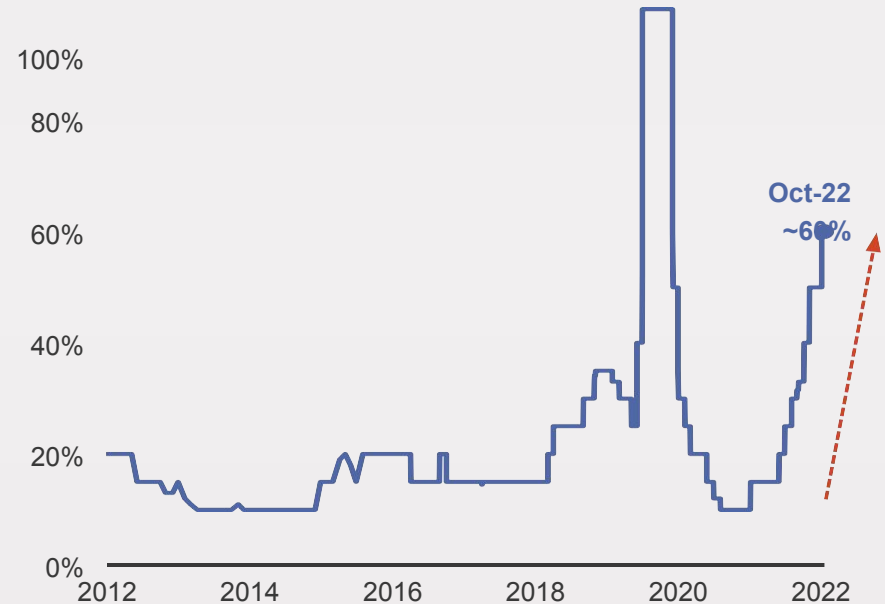
Positive GDP Reading Does Little to Quell Uncertainties

GDP Contributors

	Q4 2021	Q1 2022	Q2 2022	Q3 2022
U.S. Real GDP	7.0%	-1.6%	-0.6%	2.6%
<i>Personal Consumption</i>	2.1%	0.9%	1.4%	1.0%
<i>Fixed Investment</i>	0.1%	0.8%	-0.9%	-0.9%
<i>Private Inventories</i>	5.0%	0.2%	-1.9%	-0.7%
<i>Net Exports</i>	-0.2%	-3.1%	1.2%	2.8%
<i>Gov't Expenditures</i>	-0.2%	-0.4%	-0.3%	0.4%

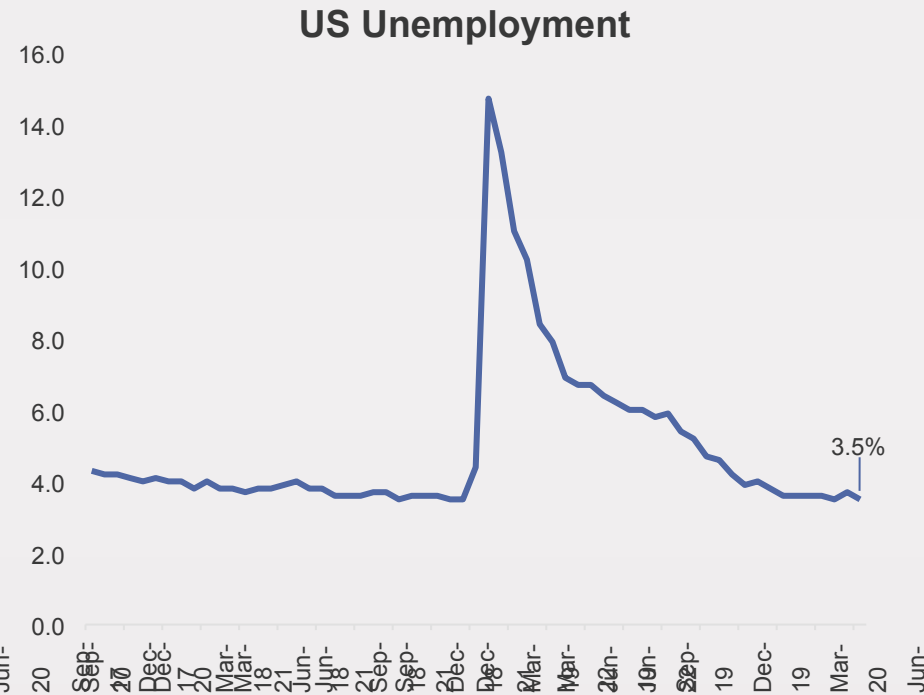
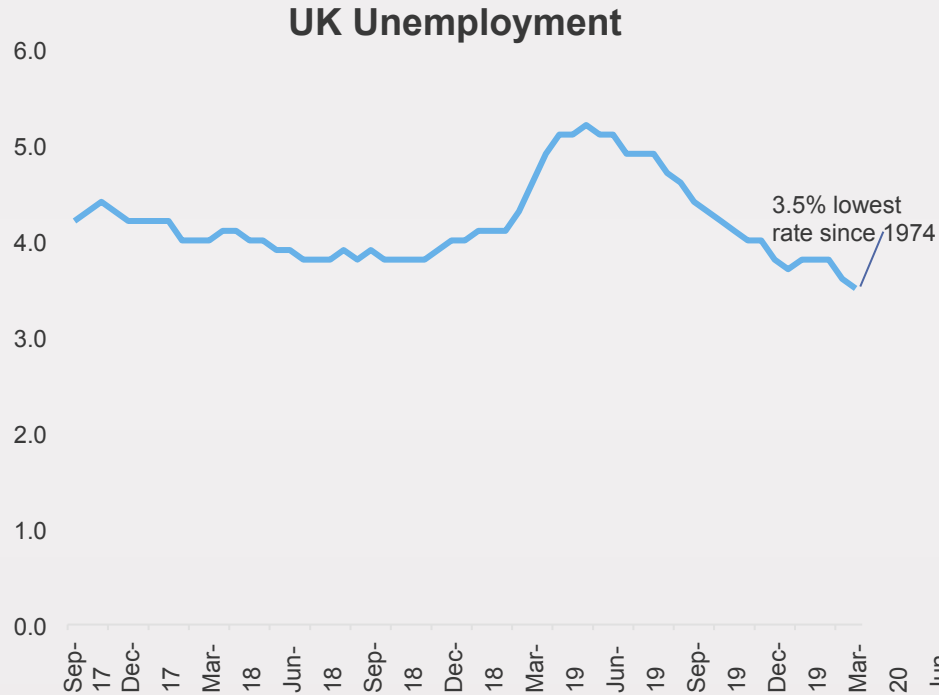
Despite a strong headline number, the underlying trends are less favorable as final sales showed significant deceleration

U.S. 1-Year Recession Probability (Bloomberg Median Economist Forecast)



Source: Bloomberg, Bureau of Economic Analysis, real gross domestic product third quarter advance estimate as of October 2022. Detail may not add to total due to rounding.

Low Unemployment Adds Inflationary Concerns at Home and Abroad

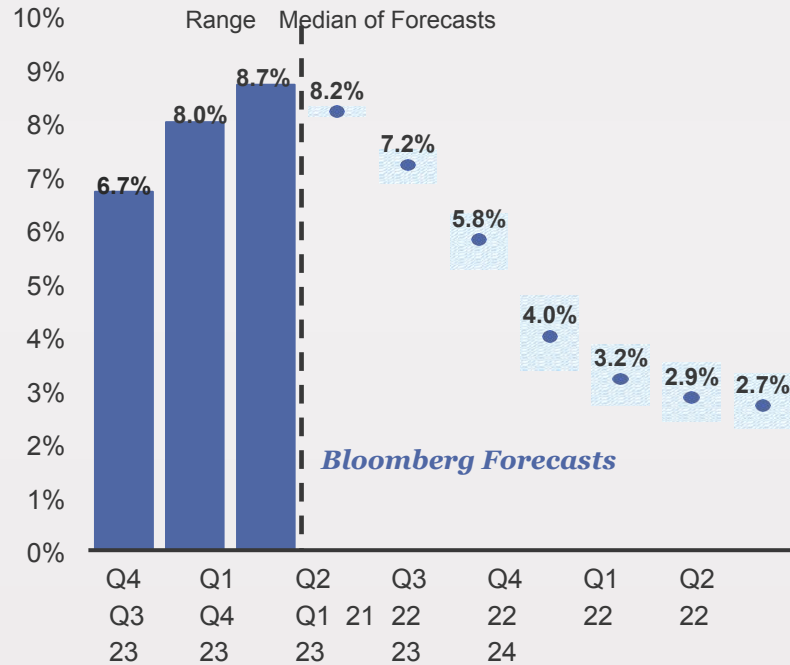


Source: Left: UK Office for National Statistics, Right: US Bureau of Labor and Statistics

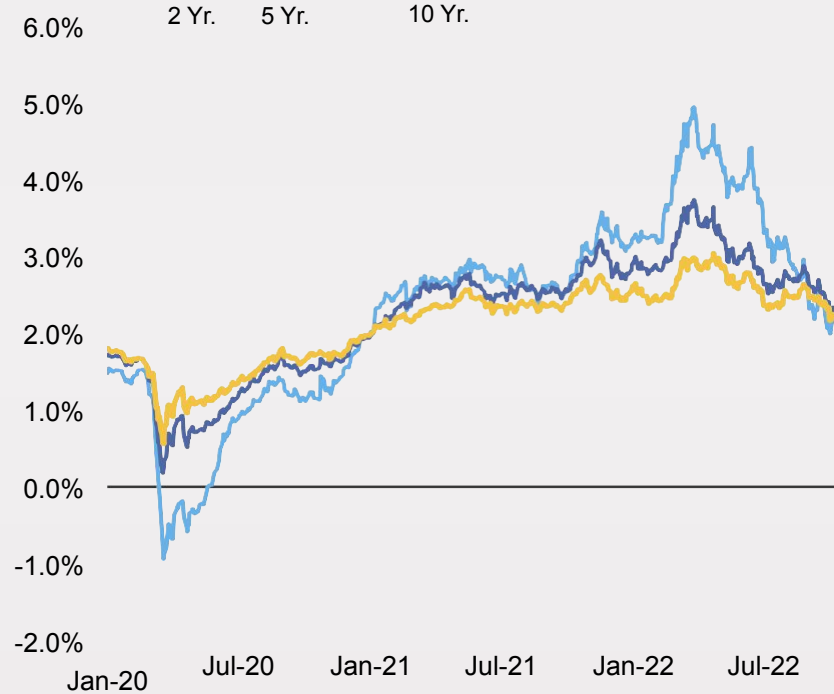
Economist and Market Expectations Point to Slowly Moderating Inflation

U.S. Inflation Forecasts

Annualized Rate



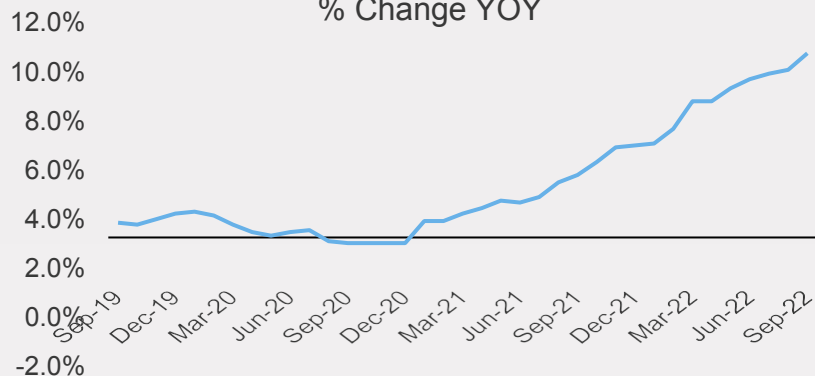
Breakeven Inflation Rates



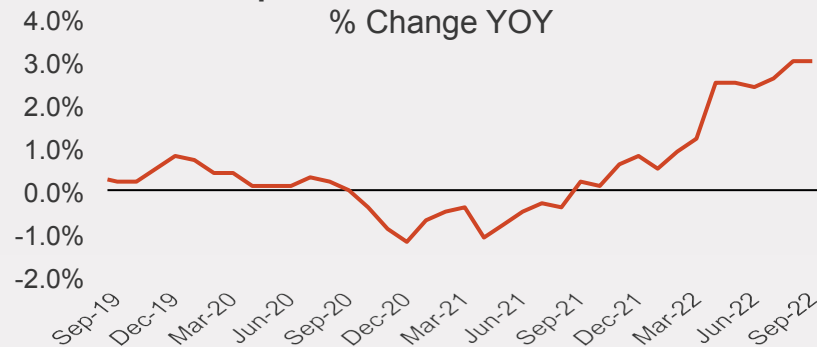
Source: Bloomberg; as of September 30, 2022.

Inflation in International Regions Remains Mixed

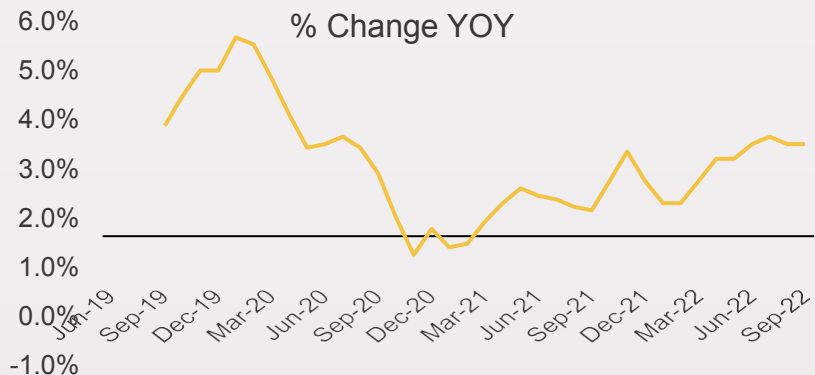
Eurozone Consumer Price Index
% Change YOY



Japan Consumer Price Index
% Change YOY



China Consumer Price Index
% Change YOY

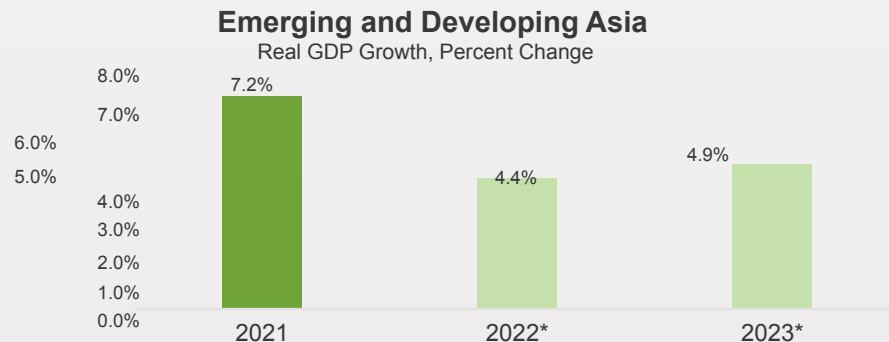
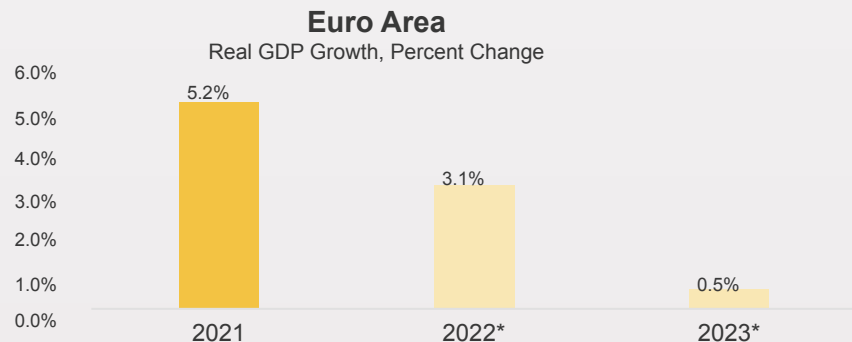
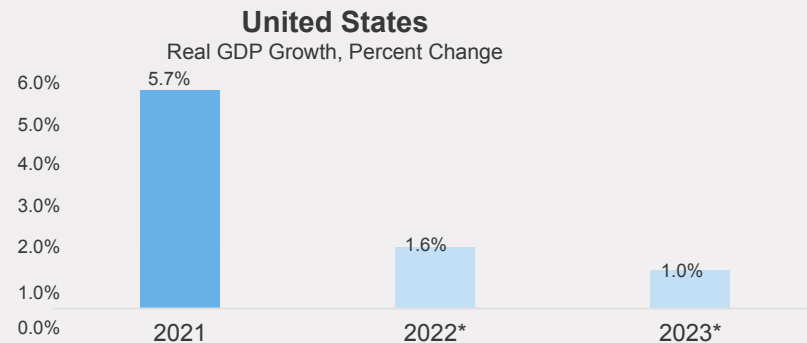
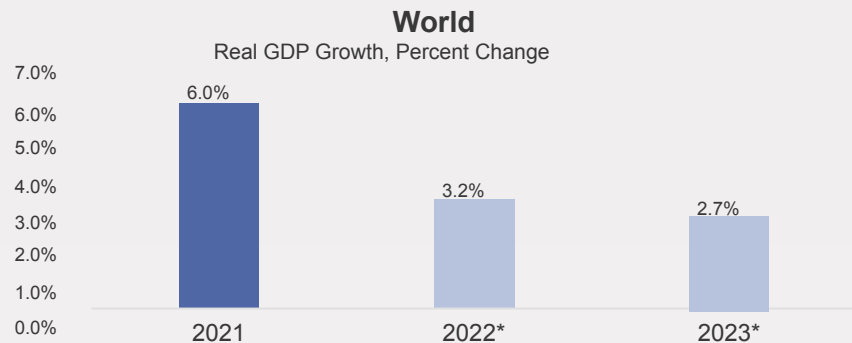


EM Consumer Price Index
% Change YOY



Source: Bloomberg, as of September 30, 2022

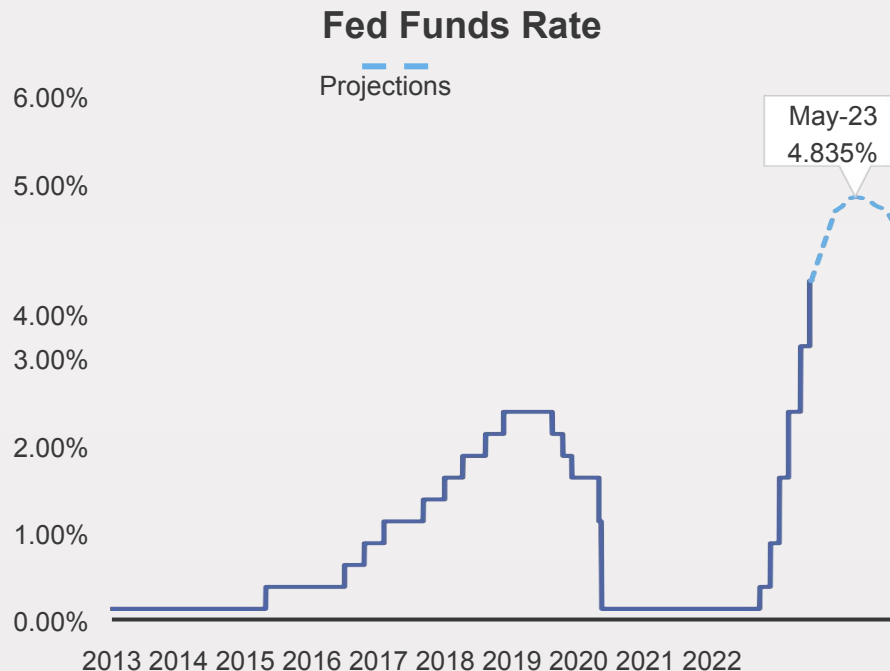
IMF Growth Projections By Region



Fed Hikes Rates 75 Basis Points At November FOMC Meeting

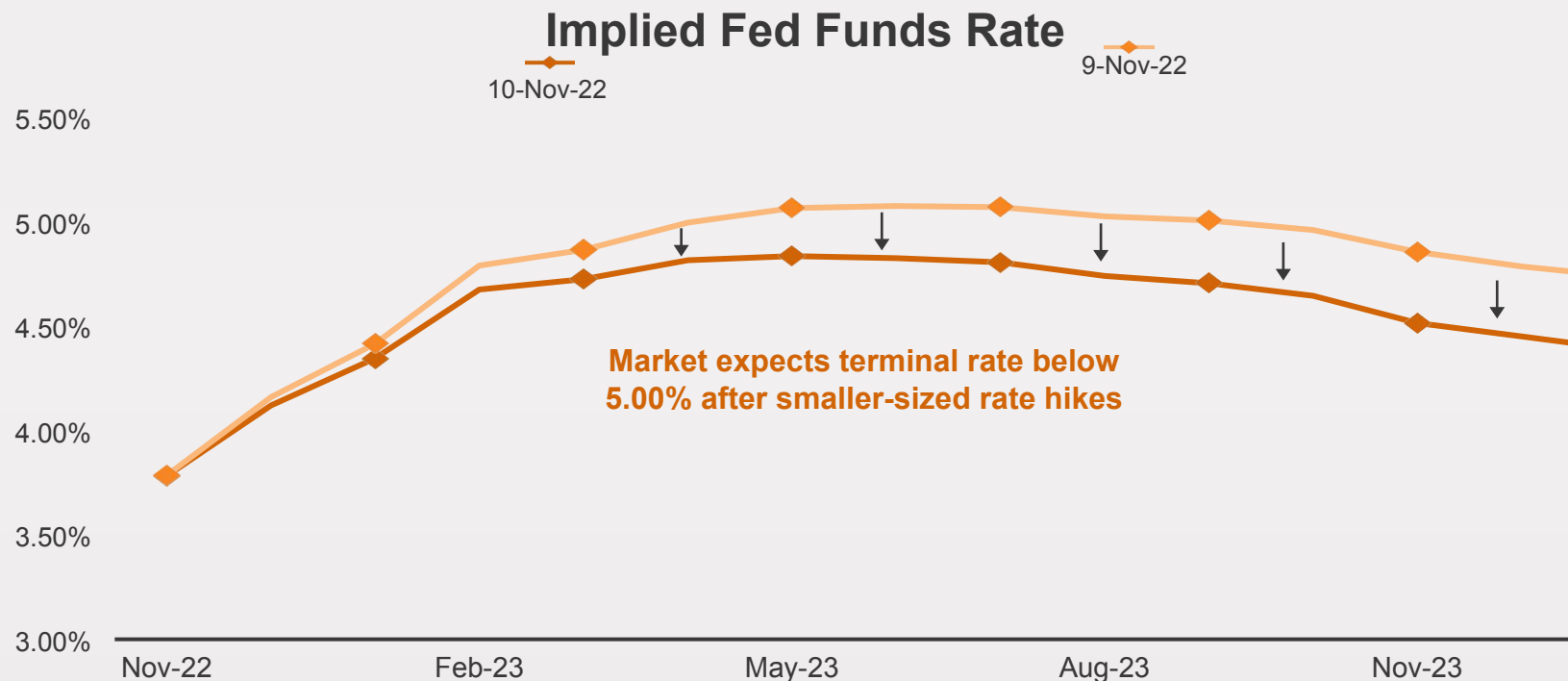
The November FOMC Meeting:

- The fourth 75 basis point rate hike in 2022
- Raised the Fed Funds rate to a target range of 3.75% – 4.00%
- FOMC hints at slowing pace of rate hikes, but higher terminal rate



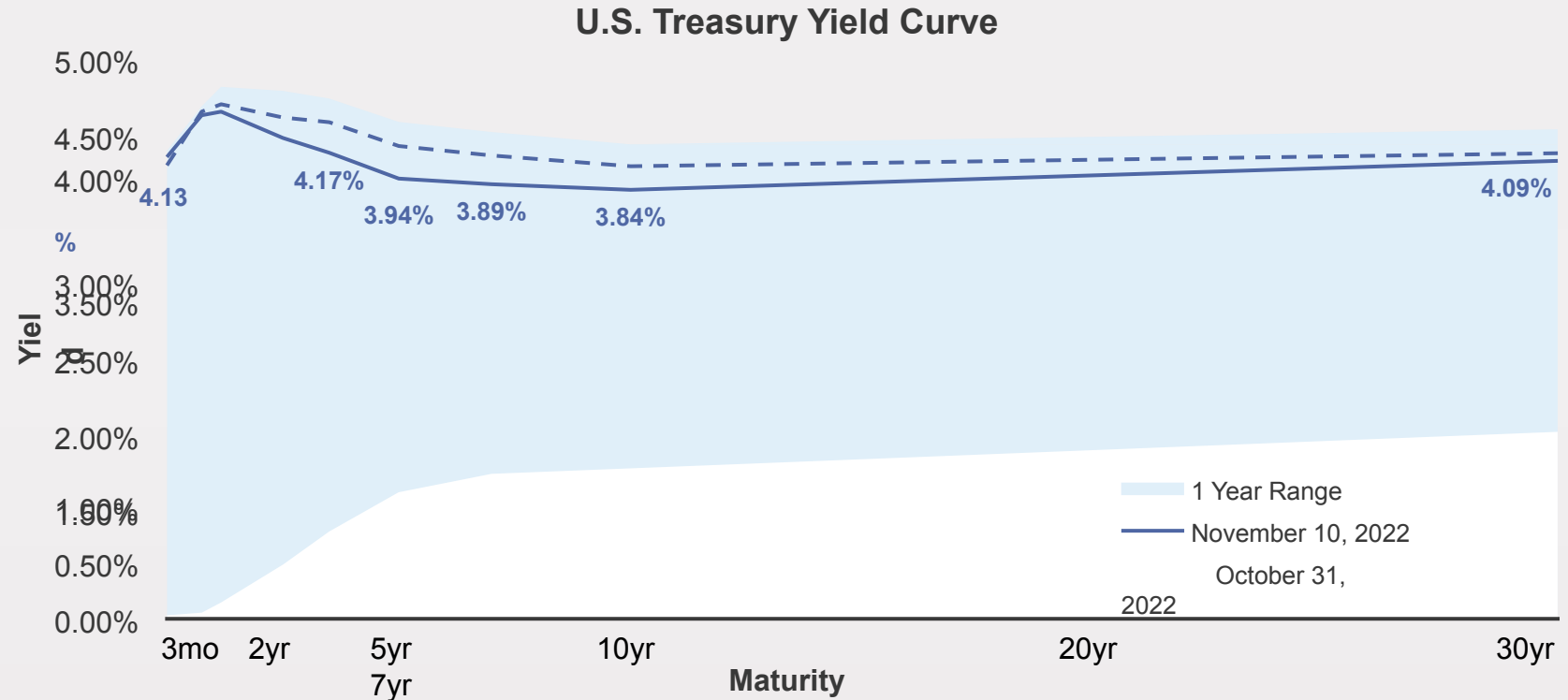
Source: Federal Reserve. FOMC Statement. Transcript of Chair Powell's Press Conference on November 2, 2022. Fed Funds futures as of November 10, 2022.

October's CPI Reading Drags Down Rate Expectations



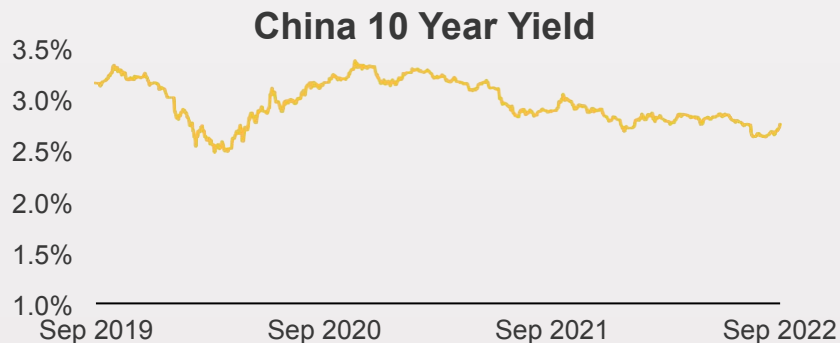
Source: Bloomberg, as of 11/10/2022.

Treasuries Rally Across the Curve From CPI Reading



Source: Bloomberg, as of 11/10/2022.

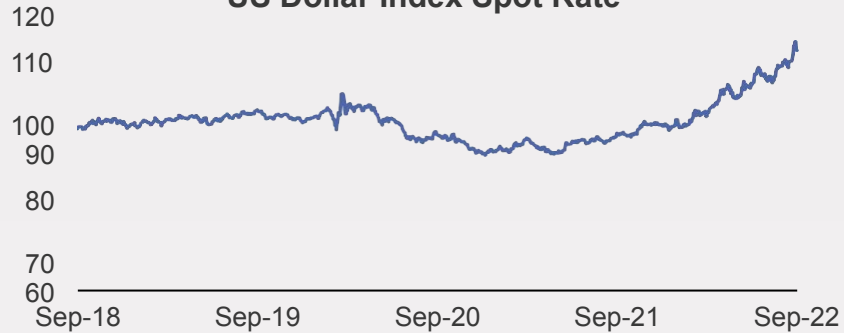
Bond Yields Continue to Rise Month-Over-Month in Developed Markets



Source: Bloomberg, as of September 30, 2022

Currencies

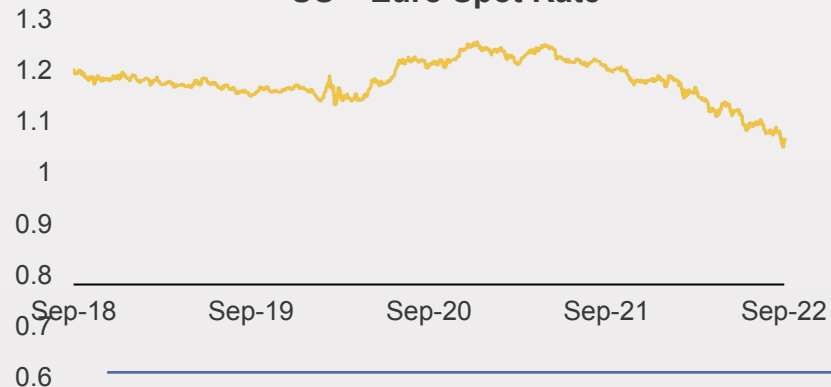
US Dollar Index Spot Rate



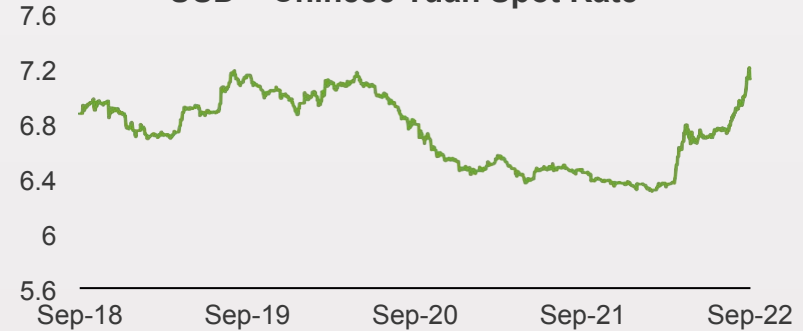
MSCI Emerging Markets Currency Index



US – Euro Spot Rate

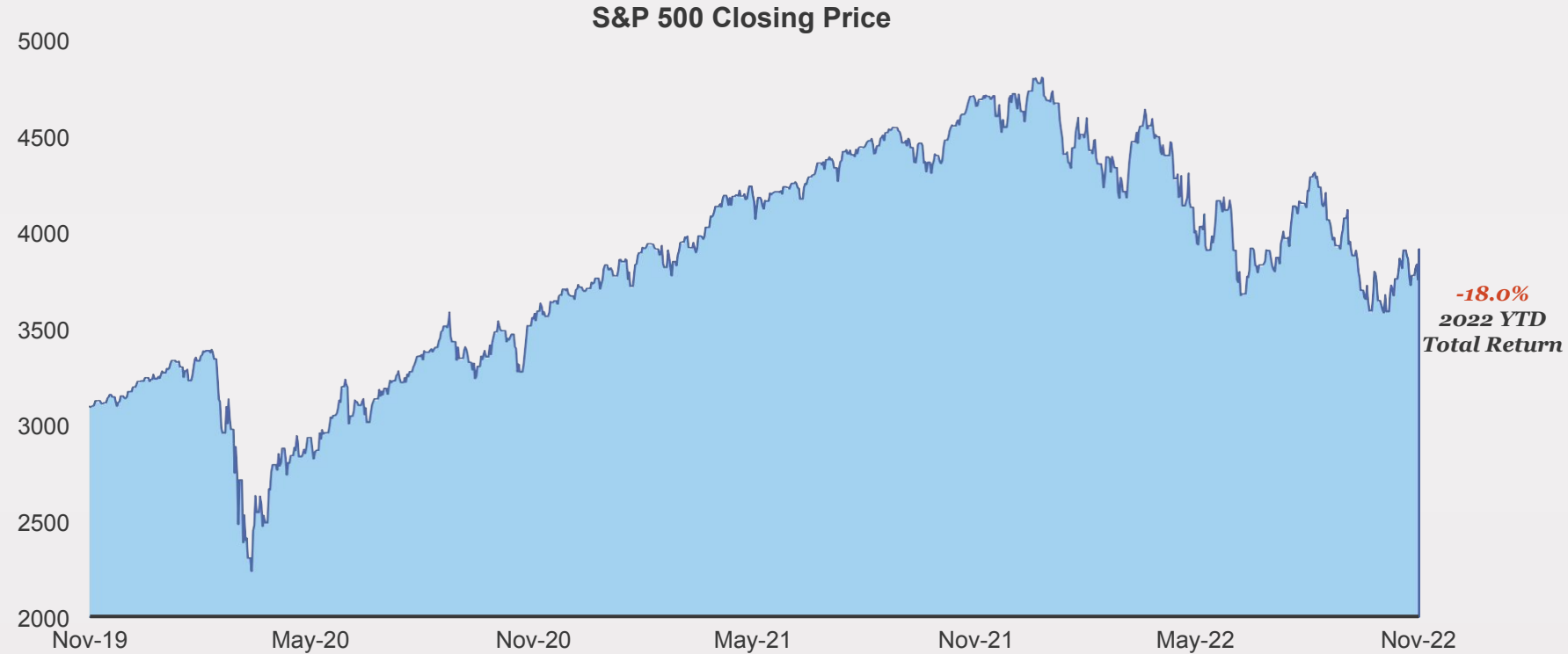


USD – Chinese Yuan Spot Rate



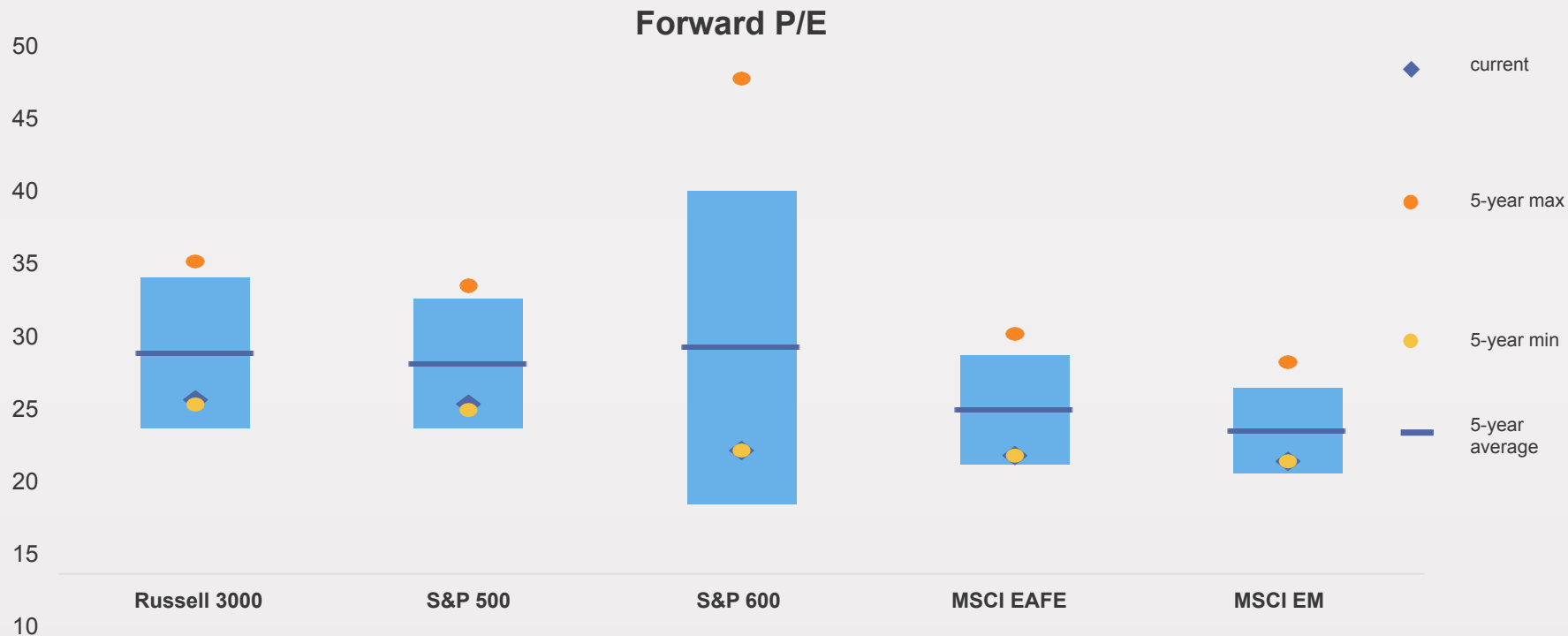
Source: Bloomberg, as of September 30, 2022

Equities Give Ovation to Better-Than-Expected Inflation Reading



Source: Bloomberg, as of 11/10/2022.

Valuations Remain at 5-Year Lows Domestically and Internationally



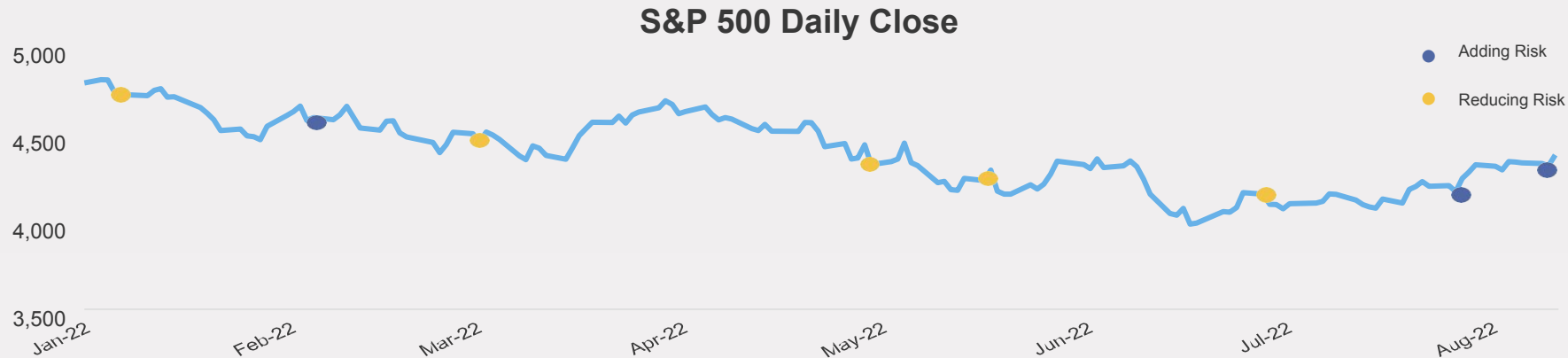
Source: Bloomberg, as of September 30, 2022

Major Equity and Fixed Income Market Indices

Market Indices as of 09/30/2022					
Domestic Equity	QTD	YTD	1 Year	3 Years	5 years
S&P 500	-4.89%	-23.88%	-15.50%	8.13%	9.22%
Russell 3000	-4.47%	-24.63%	-17.65%	7.67%	8.60%
Russell 2000	-2.18%	-25.11%	-23.53%	4.25%	3.53%
Russell 1000	-4.62%	-24.60%	-17.23%	7.92%	8.98%
International Equity	QTD	YTD	1 Year	3 Years	5 years
MSCI ACWI ex US	-9.91%	-26.50%	-25.17%	-1.52%	-0.81%
MSCI EAFE	-9.36%	-27.09%	-25.13%	-1.83%	-0.84%
MSCI Emerging Markets	-11.57%	-27.16%	-28.11%	-2.06%	-1.81%
Fixed Income	QTD	YTD	1 Year	3 Years	5 years
Bloomberg Aggregate	-4.75%	-14.61%	-14.60%	-3.25%	-0.27%
Bloomberg Global Agg	-6.94%	-19.89%	-20.43%	-5.73%	-2.32%
Bloomberg U.S. High Yield	-0.65%	-14.74%	-14.14%	-0.45%	1.57%
Alternatives	QTD	YTD	1 Year	3 Years	5 years
FTSE NAREIT All Equity Index	-10.83%	-27.93%	-16.27%	-1.09%	4.10%
Bloomberg Commodity Index Total Return	-4.11%	13.57%	11.80%	13.44%	6.95%

Source: Bloomberg, as of September 30, 2022

PFMAM Took Defensive Action in 2022



- ▶ **January:** Added dedicated allocation to US Small Caps and Bank Loans
- ▶ **February:** Reduced allocation to Convertibles, added dedicated allocation to US Equal Weighted Large Cap and International Developed Equities, slightly increased allocation to Emerging Market Equities
- ▶ **March:** Replaced slight overweight to Equities with slight underweight, removed allocation to Convertibles, slightly increased allocation to REITs, Commodities and Fixed Income
- ▶ **April:** Slightly increased emerging debt and bank loans, reducing core / core plus managers, in order to marginally reduce duration as well as produce increased yield
- ▶ **May:** De-risked portfolios by reducing exposure to domestic and international equities, proceeds from reduction were allocated to cash to provide downside protection
- ▶ **June:** Increased exposure to commodities and domestic small and midcaps, add MBS into the Fixed Income allocation, while continuing to be defensive by maintaining a cash allocation and reducing exposure to some active international equity managers.
- ▶ **August:** Reduced tactical allocation to cash, adding exposure to international equities and fixed income
- ▶ **September:** Increased exposure to Domestic Equity by reducing the tactical Commodities position; within Fixed Income, removed dedicated exposure to MBS and increased exposure to core / core plus active fixed income managers

Source: Bloomberg, as of September 2022

PFMAM issued Portfolio Updates and notification explaining the change to the portfolio and rationale.

Asset Class	Our Q4 2022 Investment Outlook	Comments
U.S. Equities Large-Caps Mid-Caps Small-Caps		<ul style="list-style-type: none"> Uncertainty around the Fed's rate hike cycle has led to higher uncertainty in the equity markets. Given the recent sell-off, domestic equities could be closer to the bottom of this cycle. Slowing economic growth and tightening financial conditions is impacting earnings growth expectations. We are closely watching earnings expectations for sustained deterioration. Valuations for small and mid-caps look relatively attractive supported by earnings growth and domestically oriented revenue exposure.
Non-U.S. Equities Developed Markets Emerging Markets International Small-Caps		<ul style="list-style-type: none"> International equities continue to trade at a discount to U.S. equities, but concerns over the outlook for European economies amidst higher inflation and energy disruption points to a possible recession in the region. China's focus on zero COVID policy at a time of slowing growth continues to weigh on the equity market returns. Other emerging market ("EM") economies are being negatively impacted by a stronger dollar and/or higher food/energy inflation. International small caps provide exposure to local revenue streams and have been shown to add alpha over core benchmark over long-term. In the near-term, higher exposure to negative earnings is a headwind.
Fixed Income Long-Duration, Interest Rate-Sensitive Sectors Credit-Sensitive Sectors		<ul style="list-style-type: none"> High inflation and slowing economic growth weigh on the Fed rate hike path, leading to higher uncertainty for interest rates in the U.S. Corporate spreads have widened over the course of this year, but credit markets remain attractive relative to interest rate sensitive fixed income investments due to strong corporate fundamentals. We continue to seek diversified credit exposure and are closely watching signs for any distress in the corporate credit space.
Alternatives Real Estate Private Equity Private Debt Commodities		<ul style="list-style-type: none"> Reasonable valuations and income potential that acts as inflation-hedge are positives for real estate, but an economic slowdown is a negative. Private equity and debt strategies can complement multi-asset class management portfolios by providing access to attractive opportunities during periods of disruption but will be impacted by rising rates and any distress in credit markets. While prices have recently pulled back in reaction to slowing demand, some commodity exposure helps to hedge unexpected inflation.

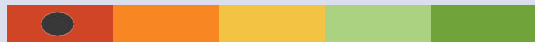
Current outlook
 Outlook one quarter ago



The view expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (9/30/2022) and are subject to change.

Factors to Consider for 6 – 12 Months

Monetary Policy:



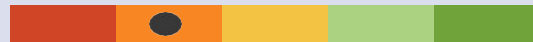
- The Fed has stated its intention to focus on bringing down inflation at the cost of economic growth.
- Uncertainty around the rate hike path is weighing on risk assets.
- Globally, inflation continues to drive most central banks towards hiking rates.

Economic Growth:



- Risk of recession in the next 12 – 18 months is rising as hawkish monetary policy impacts economic activity.
- Relative stable consumer and strong corporate balance sheets along with tight labor markets could lead to a shallow recession.

Inflation:



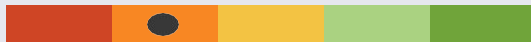
- Recent inflation figures surprised to the upside while underlying components have shown easing, leading us to believe that inflation will moderate over the next few months.
- Overly aggressive monetary policy by the Federal Reserve is driven by inflation and remains a risk to the economy and asset prices.

COVID-19 Containment:



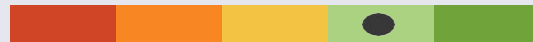
- Pockets of vulnerability remain as new strains spread but we believe we are transitioning from a pandemic to an endemic.
- China's COVID zero policy has been a drag on an already slowing Chinese economy.

Consumer Spending (U.S.):



- Consumer sentiment recently recovered from an all-time low.
- Consumer balance sheets are deteriorating with falling saving rates leading to a greater impact on spending if high inflation were to sustain.

Labor Markets:



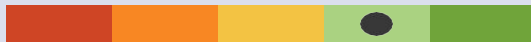
- Labor markets remain relatively strong but softening as evidenced by slower wage growth.
- The labor force participation rate is expected to go up as higher inflation weighs on consumers' real disposable income.

Corporate Fundamentals:



- Earnings growth expectations have slowed. The impact of rising input costs, a stronger dollar, and higher inflation has led to slightly lower profit margins, but overall profit margin levels are still somewhat high.

Valuations:



- Equities look attractive across the board after the recent sell-off, but elevated downside risks lead to a cautious approach.
- Credit markets look attractive after recent spread widening, but pockets of vulnerabilities will appear as financial conditions tighten.

Political Risks:



- Political risks remain elevated with the ongoing war in Ukraine. In the near-term, the threat of continued war with some spillover effects is a negative to equities and risk assets.
- Tensions between the U.S. and China are also rising again.

● Current outlook ○ Outlook one quarter ago

Stance Unfavorable
to Risk Assets

Negative Slightly Negative Neutral Slightly Positive Positive

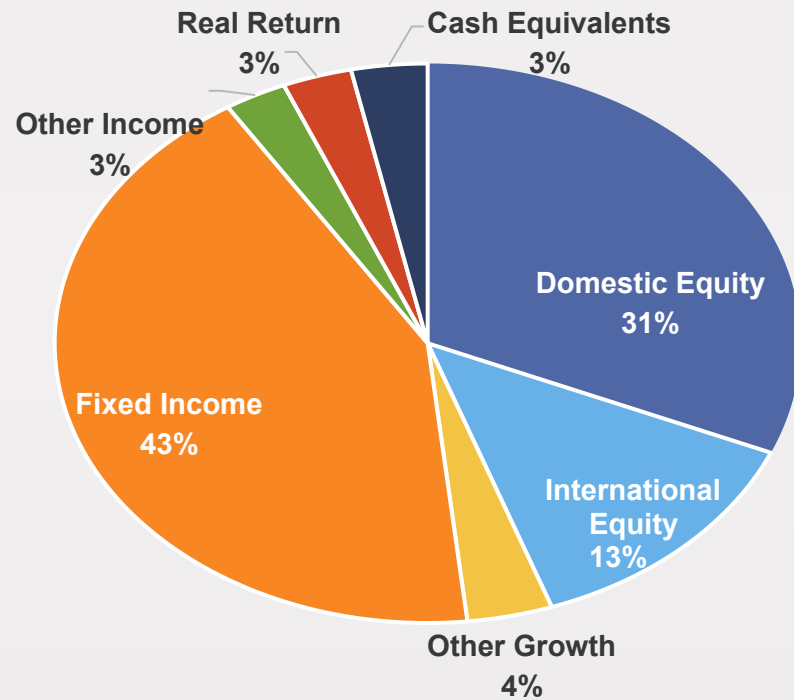
Stance Favorable
to Risk Assets

Statements and opinions expressed about the next 6 – 12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (9/30/2022) and are subject to change. Information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability.

Portfolio Update as of September 30, 2022

Asset Class	Range	Target	9/30/2022 Allocation
Growth Assets			
Domestic Equity	13-53%	33%	31.4%
International Equity	0-37%	17%	13.2%
Other Growth	0-20%	0%	3.7%
Income Assets			
Fixed Income	30-70%	50%	42.7%
Other Income	0-20%	0%	2.7%
Real Return	0-20%	0%	3.0%
Cash Equivalents	0-20%	0%	3.3%

Eastern Carver Portfolio Asset Allocation



Eastern Carver County Schools OPEB Trust

Investment Portfolio Returns

				Performance***				
Portfolio	Market Value**	Asset Allocation	Quarterly Return**	Year-to-Date Return**	Past 1 Year Return	Past 3 Years Return	Past 5 Years Return	Since Inception***
Total Fund – Investment Assets	\$5,450,940	50/50	-5.61%	-20.81%	-17.49%	1.97%	3.48%	5.83%
Blended Benchmark			-5.47%	-19.93%	-17.22%	0.97%	2.87%	4.90%
Difference			-0.14%	-0.88%	-0.27%	+1.00%	+0.61%	+0.93%

* Performance returns are net of mutual fees.

** Market value and quarter/year-to-date returns as of 9/30/2022.

*** Performance as of 9/30/2022; inception date of 1/1/2012.

Disclaimer

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2022 Payable 2023 Levy

Karen DeVet

Director Finance & Operations



2022 Payable 2023 Levy

- Sept 26 Preliminary Levy School Board presentation
- Truth in Taxation Hearing and Final Levy Certification - December 5



Drivers to Levy

Changes to state law

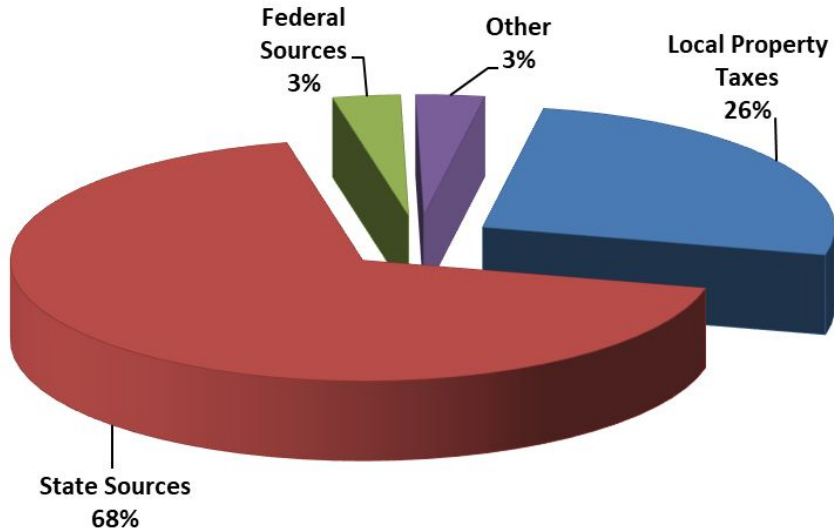
Enrollment and/or
population changes

Market value of
properties and tax
capacity changes

Changes in
expenditures

Revenue by Source - General Fund

**2022-2023 General Fund
Revenue By Source**



Preliminary Levy

Eastern Carver County Schools 2022 Pay 2023 Levy Certification Run: 9/21/2022					
	FY 2022-23	FY 2023-24			\$ Change
Category	Prior Year Levy (Payable 2022)	Preliminary Levy (Payable 2023)	Adjustments (Payable 2023)	Preliminary Levy (Payable 2023)	FY 2023 over FY 2022
Ref. Market Value Levies					
Referendum Levy	15,716,329.41	15,916,239.29		15,916,239.29	199,909.88
Referendum Adjustments	(645,340.10)	(355,392.81)		(355,392.81)	289,947.29
Net Referendum	15,070,989.31	15,560,846.48	0.00	15,560,846.48	489,857.17
Referendum Equity Revenue	898,823.12	985,588.73		985,588.73	86,765.61
Local Optional Revenue (LOR)	7,026,736.25	7,254,957.38		7,254,957.38	228,221.13
Transition	42,744.83	42,921.21		42,921.21	176.38
E.q. & Trans. Adjustments	(419,386.58)	(102,164.95)		(102,164.95)	317,221.63
Net Equity and Transition	7,548,917.62	8,181,302.37	0.00	8,181,302.37	632,384.75
Total RMV Levies	22,619,906.93	23,742,148.85	0.00	23,742,148.85	1,122,241.92
General Fund, Net Tax Capacity Levies					
Operating Capital	1,016,497.20	1,108,464.35		1,108,464.35	91,967.15
Achievement and Integration	296,426.25	305,745.95		305,745.95	9,319.70
Alternative Compensation (Q-Comp)	872,091.47	873,572.93		873,572.93	1,481.46
Reemployment	50,000.00	20,000.00		20,000.00	(30,000.00)
Safe Schools	369,907.20	371,433.60		371,433.60	1,526.40
Capital Project Referendum	5,031,300.79	5,269,974.27		5,269,974.27	258,673.48
Long-Term Facilities Maintenance (LTFM)	7,340,326.71	8,689,049.70		8,689,049.70	1,348,722.99
Ice Arena Operations	162,955.37	89,232.16		89,232.16	(73,723.21)
Career Technical	392,043.37	392,043.37		392,043.37	0.00
Building Lease	1,013,558.00	1,018,650.00		1,018,650.00	5,092.00
Other Post Employment Benefits (OPEB)	106,750.00	66,432.00		66,432.00	(40,318.00)
Equipment Certificates Offset	(975,467.00)	(975,278.00)		(975,278.00)	189.00
SW Metro	109,308.67	100,843.24		100,843.24	(8,465.43)
Adjustments	(478,671.72)	(515,104.04)		(515,104.04)	(36,432.32)
Total Gen Fund NTC Levies	15,307,026.31	16,835,059.53	0.00	16,835,059.53	1,528,033.22
TOTAL, GENERAL FUND	37,926,933.24	40,577,208.38	0.00	40,577,208.38	2,650,275.14
Community Services					
Basic Community Ed.	440,311.10	447,325.50		447,325.50	7,014.40
Early Childhood Family	263,602.94	286,858.56		286,858.56	23,255.62
Home Visiting	8,234.25	9,572.94		9,572.94	1,338.69
Adults w/ Disabilities	30,000.00	30,000.00		30,000.00	0.00
School Aged Care	292,785.00	301,569.00		301,569.00	8,784.00
Adjustments	5,490.96	69,920.71		69,920.71	64,429.75

Notable Changes:

- Referendum and Referendum Equity
- Operating Capital
- Long Term Facility Maintenance
- Capital Projects (aka Security & Tech Levy)
- Debt Service



Comparison Proposed 2023 to Final 2022

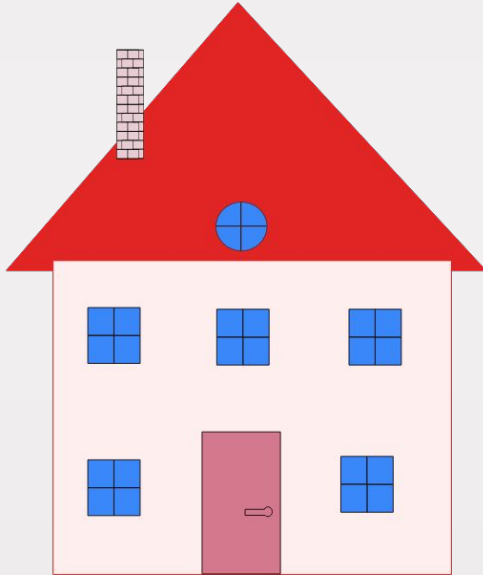
Fund	Preliminary Payable 2023 Maximum	Final Payable 2022	\$ Change	% Change
General	40,577,208	37,926,933	2,650,275	6.99%
Community Service	1,145,246	1,040,424	104,822	10.07%
Debt Service	18,359,210	17,133,743	1,225,467	7.15%
Total	60,081,666	56,101,101	3,980,565	7.10%



Taxpayer Impact

2022

\$350,000 residential home
\$1853 school property tax



-3.9% tax rate
but...
estimated market
value increase
12-20%

\$350,000 → \$400,000
in 2023

\$2052 school property
tax

2023

\$350,000 residential home
\$1781 school property tax



Thank You!

....What else do you want to know about?



General Fund changes

Levy Category	Preliminary Payable 2023 Maximum	Final Payable 2022	\$ Change	% Change
Referendum Revenue (w/ adj)	15,070.989	15,560,846	489,857	3.25%
Referendum equity revenue	985,589	898,823	86,766	9.65%
Local optional revenue	7,254,957	7,026,736	288,221	3.25%
Transition Revenue	42,921	42,745	176.38	<1%
Adjustments	-102,165	-419,387	317,222	



General Fund changes (cont'd)

Levy Category	Preliminary Payable 2023 Maximum	Final Payable 2022	\$ Change	% Change
Operating Capital	1,108,464	1,016,497	91,967	9.05%
Achievement & Integration	305,746	296,426	9,319	3.14%
Alternative Comp (Q Comp)	873,573	872,091	1,481	.017%
Reemployment Insurance	20,000	50,000	-30,000	-60.0%
Safe Schools	371,434	369,907	1,526	0.41%
Capital Projects Referendum	5,289,974	5,031,301	258,673	5.14%

General Fund changes (cont'd)

Levy Category	Preliminary Payable 2023 Maximum	Final Payable 2022	\$ Change	% Change
Long term facility maintenance (LTFM)	8,689,050	7,340,327	1,193,723	18.4%
SW Metro	100,843	109,309	8,435	-7.74%
Ice Arena	89,232	162,955	-73,723	-45.24%
Career Technical	392,043	392,043	0	0
Building Lease	1,018,650	1,013,558	5,092	0.50%
Other post employment benefits (OPEB)	66,432	106,750	-40,318	-37.77%

General Fund changes (cont'd)

Levy Category	Preliminary Payable 2023 Maximum	Final Payable 2022	\$ Change	% Change
Equipment certificates offset	-975,278	-975,467	189	<1%
Adjustments	-515,104	-478,672	400,000	7.61%
Total NTC General Fund levies	16,835,060	15,307,026	1,373,033	9.98%
Total RMV General Fund levies (from slide 7)	23,742,149	22,619,907	1,122,242	4.96%
TOTAL GENERAL FUND	40,577,208	37,926,933	2,495,275	6.99%

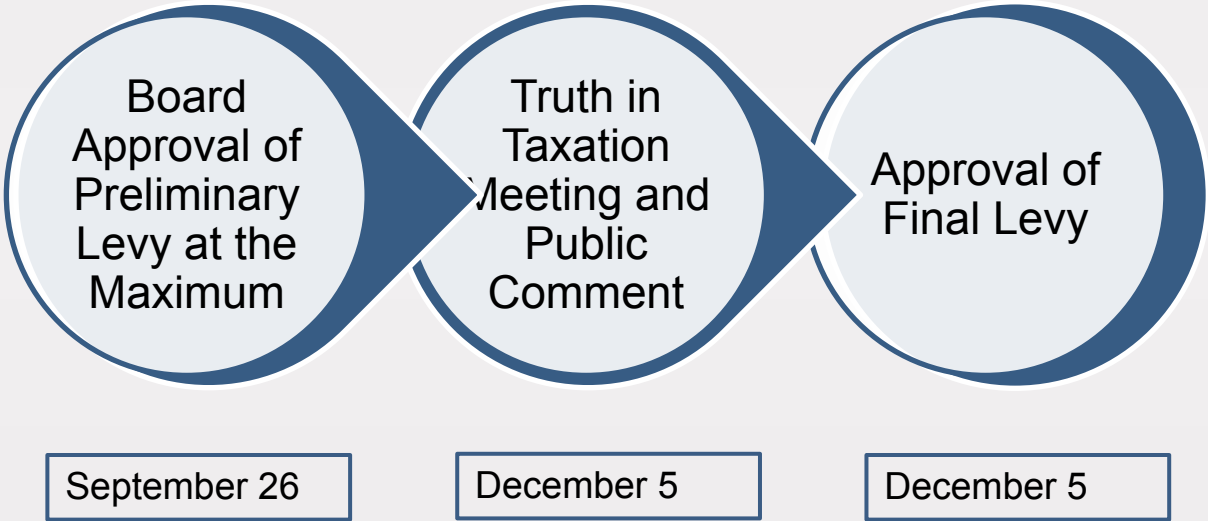
Community Service Fund Changes

Levy Category	Preliminary Payable 2023 Maximum	Final Payable 2022	\$ Change	% Change
Basic Community Ed	447,326	440,311	7,014	1.59%
Early Childhood Family	286,859	263,603	23,256	8.82%
Home Visiting	9,572	8,234	1,339	16.26%
Adults w/ Disabilities	30,000	30,000	0	0%
School Aged Care	301,569	292,785	8,874	3.0%
Adjustments	69,921	5,491	64,430	
Total Community Services	1,145,247	1,040,424	104,822	10.07%

Debt Service Fund Changes

Levy Category	Preliminary Payable 2023 Maximum	Final Payable 2022	\$ Change	% Change
Initial General Debt Service	16,680,668	17,122,246	-441,579	-2.58%
Reduction for Debt Excess	-782,953	-991,237	208,284	21.01%
Long-Term Facilities Debt Service	1,577,305	0	1,577,305	n/c
Reduction for LTFM Debt Excess	-129,559	-56,471	-73,088	129.42%
Equipment Certificates	975,278	975,278	0	0
Adjustments	38,412	83,739	-45,267	
Total Debt Service	18,359,210	17,133,743	1,225,467	7.15%

Next Steps



Proposed Levy Certification at the Maximum Allowable

Fund	Preliminary Payable 2023 Maximum
General	40,577,208
Community Service	1,145,247
Debt Service	18,359,210
Total	60,081,666

Debt Plan

PRELIMINARY INFORMATION - FOR DISCUSSION ONLY

Eastern Carver County Schools, ISD 112
Estimated Tax Rates for Capital and Debt Service Levies

5 Facilities Maintenance Bond Issues (\$2M to \$34M)
Wrapped Around Existing Debt; LTFM Project Costs;

Date Prepared: June 6, 2022

