CROSBY-IRONTON SCHOOLS Item 7.3a
FINANCE COMMITTEE MEETING SUMMARY
November 21, 2017

The finance committee met in the district office on November 21, 2017 at 5:00 p.m. with the following present: Abby Geotz, Tom Nixon and Bob Sandin. Jamie Skjeveland and Bill Tollefson were also present.

<u>2017-18 Enrollment</u> – The committee received information on the enrollment counts through the middle of November. Enrollment has dropped steadily since the start of the 2017-18 school year in both school buildings, dropping from 1,033 students in early September to 1,015 students in mid-November. The three-month average for pupil units is now at 1,125, which is the estimate used for the 2017-18 Preliminary Budget. If enrollment continues to decline, that will result in reductions to the revenue projection.

<u>Addition of 7-8 Grade Wrestling Coach for 2017-2018 Season</u> – The committee was updated on a request made today by the Activities Director that consideration be given for an additional coach in wrestling. This request is made due to an increase from 19 wrestlers last year to 33 wrestlers who showed up for the start of practice this year. There was not time to assemble an Activities Committee meeting prior to the November Board meeting, so the Finance Committee considered the request, which will add an additional $2,000 in cost to the 2017-18 Revised Budget, and the Finance Committee is recommending that the Board take action to approve the additional coaching position for 2017-2018.

<u>Preliminary Budget Assumptions for 2018-2019</u> – The committee reviewed a number of assumptions relating to the commencement of the 2018-2019 budget process. The following information was discussed.

> Funding Formulas – The General Education revenue increases by 2% between 2017-18 and 2018-19. This moves the formula from $6,188 to $6,312 per pupil unit, or an increase of $124 per pupil unit. Assuming 1,126 pupil units for 2018-19, which is likely higher than what can actually be considered given the downward enrollment trend during the first third of 2017-18, the "new" money totals to just under $140,000. The inflationary cost adjustments associated with the contract settlements alone for teachers, AFSCME and other staff approach $216,000 in added cost, leaving a situation where expenditures increases once again outpace the rate of revenue increase in General Education. Also, the committee was updated on the estimate of 2018-19 Compensatory or Basic Skills revenue which, based on the most recent Fall MARSS submission, is calculated at $615,931 and which is down from $699,140 for 2017-18 due to a decrease in the number of students qualifying for free and reduced meals in 2017-18. This number will not be finalized until after the final Fall MARSS submission on January 4, 2018.
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> Enrollment – As noted in the preceding portions of the meeting summary, the downward trend in enrollment is a concern. If enrollment continues to decline through December and January of the 2017-18 school year, the initial enrollment projections for 2018-19 will have to be conservatively calculated and the result will be a decreased revenue projection for 2018-19.
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> Federal Programs – There is great uncertainty about the entitlements for Title I and Title II that may be available for 2018-19. MDE has been advising districts that Title II funding may be eliminated for 2018-19. Currently the School District is funding a major portion of a first grade homeroom teaching position with Title II funds. The first grade position will continue to be needed, so with the loss of the funding stream, those expenses will have to move back to the Unreserved General Fund. Title I entitlements are also projected to decline and, with the local decline in number of students approved for free/reduced meals, the decrease may be even greater. There are presently 3.83 f.t.e. of staff in Title I and it is uncertain whether that will be sustainable.
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> Staff Non-Renewal at End-of-Year 2017-18 – With the potential decreases in enrollment and with likely decreased federal entitlements in Title I, there may be a need to shift staff from federal programs back to the Unreserved General Fund. Even if there are no budget reductions for the Unreserved General Fund, there may still be a need to non-renew teaching staff to accommodate the shifting of staff assignments.

Other Staffing Options – The committee discussed other staffing options, including the expansion of clerical services. The committee was not interested in considering any expansion of clerical services given the current financial outlook for 2018-19, given what is being experienced as a growing trend in other governmental agencies and businesses in regard to reduced clerical support, and based on a need to look at how any requests for expenditure increases fit into the budget priority of making an impact on improved student achievement.

2018-19 Items of Note – Several major events will happen during the 2018-19 fiscal period. The Group VEBA payments for retiree health insurance will be paid off on April 1, 2019. The OPEB bond payments, used to fund the trust that makes payments to the Group VEBA will be paid off on February 1, 2019. Neither of these items will have any financial impact on the Unreserved General Fund, but will impact Fund 45-OPEB Irrevocable Trust and Fund 47-OPEB Debt Service. Finally, the Board-approved operating referendum of $300 will expire on June 30, 2019. The committee inquired about the process of renewing the Board-approved referendum and the timing of that renewal. This will be the first time through that renewal process since the legislation was enacted, so guidance from MDE is anticipated sometime between now and the start of the 2018-19 school year.

In summary, enrollment is trending downward and deficit spending is very likely to continue. The question will become when does the School District want to commence actions to start balancing the budget in lieu of projected spend-down of fund balance?

<u>2019-2020 Collaborative and ADSIS</u> – The finance committee was updated on what appears to be an emerging plan as the prior long-term projection is becoming a reality as funding for the Crow Wing County Collaborative continues to decline and the Collaborative appears to become unsustainable. Currently, a combination of Collaborative funds and ADSIS funds (state money with the goal of early intervention to reduce the number of students who end up on a special education individual education plan (IEP)) are used to provide two Collaborative service workers for the Crosby-Ironton School District. Funding appears to be intact for 2018-19, but will be insufficient to continue current operations starting in the 2019-2020 school year. This will mean that only ADSIS funding will be available, and will thus likely result in the ability to have only one Collaborative service worker to serve the entire School District. Additional information will be available in the months ahead as the long-term strategy for the Collaborative becomes more concrete.

<u>Staffing Report</u> – The committee had previously requested a report on alternative staffing models. That information continues to be collected and a report is expected to be ready in December or January.

The meeting adjourned at 6:20 p.m. Respectfully prepared and submitted by William Tollefson