

CROSBY-IRONTON SCHOOLS
FINANCE COMMITTEE MEETING SUMMARY
June 16, 2022

Item 7.2a

The finance committee met in the District Office conference room on June 16, 2022 at 4:45 p.m. with the following present: Barb Neprud and Tom Nixon. Jamie Skjeveland and Bill Tollefson were also present.

Annual Agenda Items on June Board Agenda – The committee reviewed a number of items that are routinely included on the June agenda in preparation for the upcoming fiscal year. They included:

- a. Annual Agreements
 - i. Ice Time with Hallett Community Center
 - ii. Athletic Trainer Services with CRMC
 - iii. PSEO Agreement with CLC
 - iv. Concurrent Enrollment Agreement(s)
 - v. Approve Contract with SourceWell – Family Services Collaborative Workers
 - vi. Lepmiz Speech Clinician Services
 - vii. Hearing Interpreter Professional Services Contract(s)
 - viii. Braille Professional Services Contract(s)
 - ix. Student Teaching Agreement(s)
 - x. Northern Pines for Day Treatment Program
 - xi. Consortium Agreement with Brainerd Adult Basic Education
- b. Substitute and Other Employee Wage Rates for 2022-2023
- c. Fees
 - i. Meal Prices for 2022-2023
 - ii. Activity Fees and Gate Fees for 2022-2023
 - iii. Facility Use/Rental Fees for 2022-2023
- d. Bidding for Milk, Bread and Trash Collection
- e. Approve Superintendent to Serve as LEA for Title I Programs for 2022-2023
- f. Authorize Employment of Barb Neprud and Mary Kuhlmann for 2022-2023 Supplemental Extra-Curricular
- g. Combined Polling Place Resolution for School Elections Held on Other Than Statewide Election Days – Calendar 2023

These items and recommendations were reviewed by the finance committee and will be included on the June agenda for approval.

Community Education Coordinator Position Modifications – The committee reviewed the process of uncoupling of community education contracts and job descriptions and how the initial rate of pay for the new coordinator was established. Both modified contracts will be included on the June 2022 Regular Board agenda.

2022-2023 Preliminary Budget – The committee spent the rest of the meeting going through the updates incorporated into the 2022-2023 Preliminary Budget, which will be proposed for adoption at the June Regular Board meeting. Highlights included:

The overall budget, including both operating and non-operating funds, is projecting revenues of \$18,846,097 and expenditures of \$25,534,551. This is an overall deficit of \$6,670,454; which is to be expected during the non-bond sale years where the budget includes an active building construction fund, because expenditures are financed by previously accounted for bond sales and represent expenditure of bond proceeds in the out years. Building construction is expected to reflect expenditures exceeding revenue by \$5,645,000.

The most important area of the budget is the General Fund Unassigned Fund Balance. The June 30, 2022 starting point was updated to the estimate from the 2021-2022 Revised Budget. Revenue and expenditures were updated and now reflect a projected unassigned deficit of \$407,567, compared to a projected surplus of \$150,002 in the unassigned General Fund in the 2021-2022 Revised Budget. The Restricted for Basic Skills/Compensatory reflects a deficit exceeding the remaining Restricted Fund Balance of \$123,584 as unadjusted expenditures charged to Basic Skills outpace revenues in that area. In the absence of significant expenditure reductions, expenditures have been shifted from Basic Skills/Compensatory to Unassigned or one of the federal COVID funding revenue programs and also from Unassigned to one of the federal COVID funding streams so that the budget deficit would be minimized to the extent possible using this strategy. The overall General Fund deficit is projected to be \$559,189.

Other issues impacting the Unassigned General Fund include no new funding provided as part of the 2022 state legislative session (any future special session not considered); there was also no "fix" provided to the decline in free/reduced meal applications submitted by families in 2021-2022 while meals were being provided free of charge; as budget preparations rely on point-in-time information, the high school enrollment over-reporting that was discovered after the first state end-of-year MARSS reporting deadline in April 2022 resulted in \$107,000 less General Education Revenue than would have been expected if the numbers had been as previously reported; and the continuing impact of COVID funding is helping to artificially buoy expenditures. Without federal COVID funding, the overall General Fund Unassigned Fund balance deficit would likely be between \$750,000 and \$900,000. The real funding cliff comes when all federal COVID funds, at least as provided under current law, expire on September 30, 2024.

Overall revenue changes were based on a number of factors. The 2022-2023 enrollment projection is lower than the 2021-2022 enrollment by 13 pupil units. The 2022-2023 Preliminary Budget includes a 2% increase in the General Education formula allowance. These factors interplay to result in an increase in General Education Revenue of approximately \$60,000 (up about \$149,000 due to increase in the allowance and down about \$89,000 due to enrollment decline). Enrollment continues to remain a point of some speculation, as the 2022-2023 Preliminary Budget assumes no additional outmigration of students beyond normal, which may not become the case in the post-COVID era. The special education aid projection was updated based on MDE's What If projection model calculations, resulting in an increase of \$19,000 in revenue based on an assumption of special education tuition of \$238,382. The largest revenue increases were based on federal COVID-based funding streams. The 2022-2023 Preliminary Budget includes revenue and expenditure budgets for the balance of ESSER II and part of ESSER III. The 2022-2023 Preliminary Budget reflects decreases in normal federal program entitlements, with Title I down \$44,250 and Title II down \$9,600. Over the remaining life of ESSER funding, there is \$290,000 in projected funds that remain available for some use, including the potential of additional supplanting in 2022-2023 or 2023-2024. Fortunately, the carryover from 2021-2022 will be significant based on a large transfer of Title I expense, somewhere over \$50,000, back to the General Fund because Title I funds cannot be used to pay for Title I staff when they substitute teach for regular homeroom teachers. This will help float the program for one year only.

Overall expenditures are expected to increase by \$419,766 comparing the 2021-2022 Revised Budget to the 2022-2023 Preliminary Budget. This increase reflects a projection of a contract settlement with AFSCME employees, whose contract expires June 30, 2022. A number of new teaching positions were also added for the 2022-2023 school year, including an additional first grade teacher to accommodate a large kindergarten class advancing to first grade, the addition of a math instructional coach at CRES to provide assistance to homeroom teachers in the delivery of math instruction, and an additional Title I teacher at CRES (based in part on a point-in-time funding assessment which did not come to be and student need based on test scores). At the high school, there was an additional math position to restore the position eliminated for 2021-2022 and an additional special education teacher position to replace a position that had been unfilled for the previous two years following a late-summer resignation.

In the other Operating Funds, revenue and expenditures were adjusted to reflect results due, in large part, to COVID-based factors. The Food Service Fund is in a very transitory year as all indications reflect returning to the traditional National School Lunch Program. This is expected to result in significantly reduced federal reimbursement rates which provided free meals to all students, resulting in potentially increased meal service in 2021-2022. 2022-2023 federal reimbursement rates have not been released by USDA or MDE, so an estimate is used, as well as an estimate using 2019-2020 free and reduced meal applications to try to establish a meal count. With the spend-off of other COVID specific funding, as well,

the Food Service Fund is projected to have a deficit of \$103,341, which will use half of the projected accumulation in fund balance in this fund for 2021-2022.

Bottom line is that there is likely going to be plenty of change happening in the 2022-2023 Revised Budget.

The meeting adjourned at 7:45 p.m.

Respectfully prepared and submitted by William Tollefson