

The finance committee met in the Forum Room on June 11, 2020 at 4:30 p.m. with the following present: Abby Geotz, Tommy Sablan and Joe Dwyer. Jamie Skjeveland and Bill Tollefson were also present.

Galovich Gym Scoreboards – The committee heard a funding plan for sound system upgrades and new scoreboards in the Galovich Gym. The current scoreboards are 15 years old and are outdated. The cost of replacing the existing scoreboards with a similar style would be between \$40,000 and \$50,000. An initial proposal to convert to digital scoreboards increased the cost to over \$160,000. Following a lead from the A.D. in Detroit Lakes, Jared Matson made contact with a previously unknown vendor who provides digital scoreboards. Several options were discussed, with the final recommendation being two digital scoreboards, shot clocks and backstop strip lights for a total of \$125,400. These state of the art scoreboards will help to polish the apple in the Galovich Gym and, along with an upgraded and improved sound system, will make the facility even more impressive. The committee viewed the proposals favorably. The proposals will be vetted through the buildings and grounds committee before the contract for scoreboards is signed. Operating capital and LFTM funds, if the purchase qualifies, will be used; as there was no provision for new scoreboards included in the base cost used to determine the amount of the November 5, 2019 school building bond referendum total amount.

2019-2020 Revision to Revised Community Service Budget – The committee received an updated budget revision of the 2019-2020 Community Service Fund, which was needed due to finding a typographical error that resulted in a \$30,000 increase in expenditures and which had a different financial outcome than originally projected. COVID appears to have had a negative impact on the Reserved for Community Education for much the same reason as was discussed at the June 2, 2020 finance committee meeting relative to the Food Service Fund – i.e. high overhead costs that were not offset by adequate revenue. High overhead costs that could not be offset by profit margins on community education classes that were canceled due to the pandemic created a loss in the Reserve for Community Education. The Reserved for Community Education fund balance is expected to end the year with a negative fund balance of approximately \$19,000.

2020-2021 Preliminary Budget – The committee reviewed in great detail the 2020-2021 Preliminary Budget, which will be forwarded to the School Board for adoption at the June meeting.

The 2020-2021 Preliminary Budget was generally prepared on the overarching assumption that school would operate at pre-COVID-19 pandemic levels in 2020-2021. Any variations on this will have to be accounted for in the 2020-2021 Revised Budget, because it is almost impossible to create a preliminary budget that could accurately reflect the many potential areas of change.

Overall, revenues are expected at \$17,753,301 and expenditures at \$22,080,464 or an overall budget deficit of \$4,327,163. Of this deficit, \$3,150,000 will occur in the Building Construction Fund, which will continue to operate in deficit as bond proceeds are spent to provide facilities improvements over the next five years. Expenditures exceed revenue in the Operating Funds portions of the budget by \$1,220,159.

The Unassigned General Fund is expecting to operate at a deficit of \$520,295. This will bring the Unassigned General Fund fund balance to an estimated \$1,149,534, or approximately 9.4%. The Fund Balance Policy calls for mandated reductions to start when the projected Unassigned General Fund fund balance drops to 7%. There was a 2% increase in General Education revenue provided by the 2019 legislature will move the base formula allowance from \$6,438 to \$6,567. The increase in the formula allowance was offset by a projected reduction in enrollment, decreasing from 1,126 pupil units in 2019-2020 to 1,102 pupil units planned for 2020-2021. An assumption used is that the routine enrollment projection model will work. There are many consultants who are expecting that enrollment at schools across the United States will drop by between 10% and 40% as parents make decisions about what to do if there is another school year impacted by COVID-19.

The Reserved for Basic Skills revenue continues to decline and expenditures continue to increase, resulting in a deficit in that reserved fund balance of \$250,051. This will bring the projected fund balance in this reserve to \$78,963 at June 30, 2021 and will mean that excess expenditures will need to be shifted to the Unassigned General Fund as planning commences for 2021-2022 and reductions to the budget will be likely.

The \$200,000 Capital Projects Levy revenue approved as part of the successful election on November 5, 2020 will start with the 2020-2021 fiscal year being year one of ten. This revenue will largely supplant the expenditures being incurred to operate the technology department.

The 2020-2021 Preliminary Budget also includes revenue and expenditure budgets provided to spend 100% of the new CARES Act federal COVID relief funding completely in 2020-2021 and for those expenditures to be supplementing and not supplanting. Neither of these assumptions is likely going to be correct, as the entitlement of \$294,379 cover a period from March 18, 2020 through September 30, 2022, so CARES Act funds could be shifted into future years to alleviate costs in those years. Also, emerging guidance on the largest portion of CARES Act funding, called ESSER-90%, appears to allow for supplanting of existing expenditures, which is unusual for federal funds, and which could provide relief to the Unassigned General Fund fund balance if enough pre-existing, qualifying expenditures could be identified. These changes will be reported to the Board as the year progresses, using budget scorecards, and will be summarized in the 2020-2021 Revised Budget.

Community Service Fund was reviewed and during this review, the committee discussed the proposed non-renewal of a probationary early learning teacher. This proposal was based on enrollment information, which was updated for this meeting, and discussion focused on the fact that much of the enrollment may not be accurate because of the transfer from in-person to electronic registration and no early learning registration event. The committee decided that they would withdraw the proposed non-renewal, so this will not be a Board action item in June.

The meeting adjourned at 7:30 p.m.

Respectfully prepared and submitted by William Tollefson