

The finance committee met in the District Office Room on April 15, 2024 at 5:00 p.m. with the following present: Beth Hautala, Mike Domin and Laura Lee. Jamie Skjveland, Kurt Becker, Abby Geotz and Bill Tollefson were also present.

2024-2025 Budget Reductions –

Second Reading Budget Reduction Breakdown - The meeting started with a review of the budget reduction. For clarification, the Unreserved Fund Balance in the General Fund has a projected deficit for 2024-2025 of \$950,000. There have been proposed budget reductions through elimination of programs and positions or by finding alternative funding that total \$237,000. The impact of some of these cuts are still to be fleshed out, so the full impact of those reductions may not be fully understood at this point. For instance, what does reducing the extra-curricular budget by 20% to 25% (a value of approximately \$100,000) look like? There have been adjusting of expenditures from the Unreserved to a variety of Reserved Fund Balance funding streams which total \$260,000. The largest of these Reserved funding streams being Basic Skills/Compensatory and there are ongoing concerns about the long-term amount of revenue for this funding stream given universal free school meals funded by the state, thus removing the incentive for families to complete the free and reduced meal applications or to take other steps under public assistance programs that provide direct certification of students who qualify in the generation of this funding. There is currently a one-year funding level hold harmless that expires at the end of the 2024-2025 school year, with legislation to alleviate some of the anxiety on the long-term funding topic pending action by the State legislature. There was also \$15,000 in new revenue that has been identified. Those budget adjustments total \$512,000. This leaves an unsolved Unreserved General Fund deficit in the amount of \$438,000 that remains and will likely get worse as enrollment continues to decline and as expenses continue to increase. The committee discussed what, if any, of the budget reductions would be restored. The committee was reluctant to restore any reductions, pending new funding streams provided by either the State legislature or District voters approving an operating referendum.

November 5, 2024 Operating Referendum –

Determination of Amount of Operating Referendum Question – Discussion regarding the amount of the potential operating referendum question generated a number of concerns. The discussion would need to answer the “whys” of the requested amount of the operating referendum. What if the amount asked for was not high enough and there needed to be another ask three years into the future? Is the operating referendum revenue to sustain what is left at the current round of budget reductions for 2024-2025 or would some of those reductions be requested to be reinstated? The amount of unanswered budget overrun for 2024-2025 is estimated at a deficit of \$438,000 that would have to be covered by using a portion of the Unreserved Fund Balance in the General Fund. How is that deficit addressed, as well as how are future cost increases considered in the equation? Will an amount over \$1 million be viewed negatively by the community? Ultimately, this decision may be best formulated after a survey, which is discussed more fully below.

Contract with Communications Consultant? Who? – The committee discussed the potential negativity associated with a “communication consultant” and determined that a better description might be a “project manager” who would navigate the plans, communications and vision of the operating referendum election. The committee also determined that they did not want to get in front or ahead of any parent group who might be involved in the operating referendum election, so chose to wait on making a decision or providing direction on this topic so that a direction could be formulated jointly by one or more parent or community groups and the School Board.

Conduct Professional Survey? – The project manager who the School District previously used in elections in both 2019 and 2023 has suggested that a valid, professionally designed community survey would be helpful in crafting a plan for the next operating referendum. This concept was further supported by the School District’s financial advisors at Ehlers, who have noted that other client school districts have benefitted from a survey to guide the decision making process in terms of the amount of referendum asked for and the associated tax impact or tax tolerance that the community has and will support, as well as the survey being helpful in understanding what the community values and wants from its’ education system in its entirety. There may be departments in one or more State Universities that have the ability to help design and administer a survey. The committee asked for additional information about firms that do professional, validly designed surveys and sees this as something that may be more important than a project manager. This would include survey questions regarding the broader scope of what the community wants from its’ school system and not just about the operating referendum.

Impact of Potential Seasonal Rec Tax Base Replacement Aid – There is a bill that has been proposed in the MN Senate and the MN House of Representatives that would provide tax base replacement aid to help school districts that have a high concentration of the property market value within the school district made up of seasonal recreational property. Seasonal recreational property was removed from the operating referendum tax base during the Ventura administration and a statewide property tax was added. This proposal would earmark some of the proceeds of the statewide property tax to be used to help offset some of the property tax increase impact experienced by residential homestead properties in school districts with high values of seasonal recreational property. The relief would be based on a formula that varied by the mix of property. An example was used of a district that had 50% of the tax base made up of seasonal recreational properties. In the November 2023 operating referendum, the tax impact would have been a \$14 increase per month for residential homestead properties valued at the average property value. This bill, if passed, would shift about half of that tax increase from the residential homestead property tax payer, with the difference covered as new tax base replacement state aid. The future of the bill in the current legislative session is in doubt, but the concept may reemerge in future legislative sessions if it does not pass this year.

Community Education – This meeting was the start of a multiple meeting process that will review a variety of facets of the Community Service Fund. The focus of this meeting was a look at Community Education and changes that have been made over the past couple of years. One growth area is adult educational opportunities. These would be more one-and-done sorts of activities, including offering more things in conjunction with the community at locations throughout the community rather than just at the school. Another area included working with Healthy Kids to reestablish a before and after school daycare program that will start in 2024-2025. Facilities use, with an emphasis on enforcing current Board policy and fee schedules is also a focus area. Early learning programs, which encompass a variety of early childhood opportunities, is also continuing to evolve. Future meetings will include discussion about roles and responsibilities, job descriptions, and other topics relating to the Community Service Fund.

Prioritize Budget Suggestions from Public Meetings – Prior to this meeting, School Board members had been asked to review the list of budget reduction suggestions from a number of parent, student and community meetings relating to budget reduction. A number of suggestions did not directly relate to budget adjustments in the General Fund Unreserved, which is the focus area of budget correction, so those suggestions have been set aside. From the remaining list, two topics emerged as warranting further discussion and research – the four-day school week and solar energy options. The committee discussed that in considering these topics, the Board needs to examine and be able to answer the “why”. Why would the School District plan to switch to a four-day week, considering not only the financial “why”, but also the educational “why” and the community “why”. Concerns are that other school districts who had tried a four-day week report that they have experienced savings of only .25% to 3%, with those savings mainly in food service and transportation. There was concern that the schedule change would be too disruptive to parents and that a broader community goal of having businesses and industry in the community on board to also consider things like a four-day work schedule might help, but there is no foundation yet in place to build upon this. Another concern was the impact on the already dire need for daycare and a discussion that if the school needed to provide daycare on the non-school 5th day, why wouldn’t school just be held as normal? Because there was parental concern over extending the school day and bus delivery home drop off

times for students when the schedule was proposed to be extended by approximately twenty minutes per day, how would an even longer school day be received by parents and what issues would emerge? The committee thought was to continue to seek out information, but that there would need to be a more clearly defined community show of support for this concept. Additional research will be done on solar energy, including what needs to be considered to have solar panels on the school building roofs – can the building structure support the panels being on the roof, what do solar panels do the warranty of the roofing systems that are being installed over the next two summers, how much energy cost savings would be generated in comparison to the cost of the solar panels? Additional information will be gathered and the solar energy issue was referred to the buildings and grounds committee for further review.

Other Finance Committee Items –

EEOC Update – The committee was updated on the current status of an employment matter before the Equal Employment Opportunity Commission (EEOC).

Summer Building Clerical Staffing – For some time, there has been a need for building clerical support to work in the summer. With the 2023 legislation that now provides for non-school term (summer) unemployment for hourly school employees who are less than full year, the committee discussed the work that needed to be accomplished, such as someone being available to enroll new students/families to the district, MARSS student reporting for the year just ended and setting up the student information system for the year about to start, other MDE-required reporting, and being better prepared to be ready for the upcoming school year; and how these needs relate to the cost of summer unemployment for which there is no productivity return. The committee consensus was to proceed with planning for the equivalent of one full year building clerical position in each school building. How that is to be facilitated, for example – one person in each building working year around, two clerical people working some sort of combination of time to equal one full-year position during the summer recess, etc, will be left to administration to work with clerical staff to develop and modify a plan, as necessary.

The meeting adjourned at 7:25 p.m.

Respectfully prepared and submitted by William Tollefson