

The finance committee met in the district office on September 12, 2016 at 5:30 p.m. with the following present: Mike Domin, Barb Neprud and Bob Sandin. Jamie Skjeveland and Bill Tollefson were also present.

2016-17 Enrollment – The committee received information on the enrollment counts for the opening week. These counts are very tentative and subject to change as each building continues to sort out which students have returned and which have left but perhaps no records requests have yet been received. Better information will be available with the October counts. Overall, the opening enrollment is down six (6) students from the 2015-16 average enrollment, going from 1,044 to 1,038. CRES shows an increase from 532 students in 2015-16 to 539 students during the opening week, while the high school shows a decrease from 512 students in 2015-16 to 499 students during the opening week. Overall, the opening week enrollment is higher than the enrollment used to calculate the 2016-2017 Preliminary Budget by 35 students. Opening week enrollments were very similar to the opening enrollments for the same period last year.

2016-17 Anticipated Deficit and Planning for 2017-18 – The committee discussed the 2016-17 Preliminary Budget Unreserved deficit of approximately \$300,000 and brainstormed three critical elements that will impact the initial planning for 2017-18. They include: 2017-18 being a funding year based on the work to be completed by the 2017 state legislature; enrollment; and the need to negotiate with the teacher bargaining unit following the expiration of the existing Master Agreement on June 30, 2016. Using quick estimates from the 2016-17 Preliminary Budget base (which will be updated in the 2016-17 Revised Budget for changes in enrollment and staffing that have occurred after the preliminary budget was calculated), it appears that a deficit will exist for 2017-18. The committee further brainstormed information items that they would like gathered as they consider the possibility of budget reductions for 2017-18. The committee will also consider what the impact of budget reductions will have on the District's strategic plan. This information gathering will start at the October finance committee meeting with a goal of final budget reductions concluded by the end of February 2017.

Ben and Zorka (Bobich) Martin Donation – The committee received an update on the recent donation of \$35,000 from the family of Ben and Zorka (Bobich) Martin to the School District to be used for athletic equipment. During the initial meeting with the family, they selected two items to fund at the present time – a new baseball field scoreboard and a new softball field scoreboard. The remainder of the funds have been placed in Fund 11 and will carry forward until all funds are spent. The family will be consulted on potential future projects that may be funded using the remaining funds.

Crow Wing County Election Emergency Plan – The 2016 Legislature adopted a requirement that every Minnesota county develop an election emergency plan and that all lesser jurisdictions – school districts, cities, townships, etc. – also adopt such a plan. Because the School District election process is largely managed by Crow Wing County during regular elections, Crow Wing County is suggesting that school districts adopt the county plan. In the event that the School District has a special election that is not run in conjunction with a state, federal or other municipal election facilitated by the county, the School District will need to develop its' own election emergency plan. Since no such special elections are foreseen, the School District will be adopting the County plan, which will need to become an annual process.

June 30, 2016 Initial End-of-Year Financial Results – The committee received the initial, partially audited year-end financial results for the fiscal period ending June 30, 2016. The 2015-16 Revised Budget estimated that the General Fund Unreserved Fund Balance would be about \$1,579,903. Overall, General Fund revenues were under budget but General Fund expenditures were under budget by an even larger amount, which resulted in an initial final General Fund Unreserved Fund Balance of \$1,621,916. A repair project involving necessary upgrades to the energy management system using energy savings associated with participation in the Schools for Energy Efficiency program, which ended June 30, 2016, was budgeted but unable to start, resulting in an assigned fund balance of \$114,500 to be used toward that project in subsequent school years. Also, the Reserve for Operating Capital increased by more than anticipated

because almost all of the track project expenditures were approved to be funded under the lease levy and because other planned expenditures were not made, including the property purchase at the southwest corner of the high school campus because the property has not been finalized by Crow Wing County as tax forfeited and thus is not available for purchase and the report that the skylights at CRES are not in eminent need to major repair. This will position the District well for upcoming capital projects, including the ongoing classroom enclosure project at CRES. The fiscal period ending June 30, 2016 will be the last fiscal period with reserved fund balances for Health and Safety and Deferred Maintenance, as both programs ended with the 2015-16 period and have been replaced by the new Long-Term Facilities Maintenance program, which will have a new reserved fund balance starting June 30, 2017.

2016 Payable 2017 Proposed Levy – September brings the start of the next levy process cycle, including the requirement that the 2016 Payable 2017 proposed levy be certified by the School Board prior to September 30, 2016. The Minnesota Department of Education (MDE) completed the initial calculation of the levy and released it on September 8th, thus meeting their statutory timeframe, but the levy calculation will be reviewed, both locally and by the MDE throughout the month of September and will likely continue to change during that time period. The most current levy calculation at the time the finance committee met reflects an increase of \$130,094.83 over the prior year's levy, or an increase of 3.49%. The two largest areas of increase are in Long-Term Facilities Maintenance and the Lease Levy. Long-Term Facilities Maintenance is a new program adopted by the 2015 Legislature and is in the second year of funding, which includes an increase moving from \$193 per pupil unit to \$292 per pupil unit (a third year increase will impact the 2017 Payable 2018 Levy as revenue moves from \$292 per pupil unit to \$380 per pupil unit during next year's levy cycle) and results in a levy increase of \$111,231. The Lease Levy increase is the result of financing the track reconstruction project and increases the levy by \$46,000. Taconite funding continues at a level sufficient so that taconite levy replacement replaces all of the Community Service fund levy and \$26,000 of the General Fund levy. The proposed levy can be certified as a specific dollar amount or at the "maximum" as calculated by the MDE. The recommendation is that the Board certify the 2016 Payable 2017 Proposed Levy at the "maximum" at the September 19, 2016 School Board meeting, so that the counties can use the most up-to-date figures available from the MDE to calculate the Notices of Proposed Levy that will be distributed to property taxpayers in mid-November.

The meeting adjourned at 7:15 p.m.

Respectfully prepared and submitted by William Tollefson