

CROSBY-IRONTON SCHOOLS  
FINANCE COMMITTEE MEETING SUMMARY  
May 17, 2022

Item 7.2a

The finance committee met in the Forum Room on May 17, 2022 at 4:45 p.m. with the following present: Barb Neprud and Kim Coughlin (by phone). Jamie Skjeveland and Bill Tollefson were also present.

Staffing – The committee reviewed several staffing items:

Non-Renewal of Long-Term Substitutes – The committee was reminded that any long-term substitutes whose assignment takes them through the last work day of the school year will be placed on the May School Board agenda for action to non-renew their contracts. This action is taken only as a means of maintaining clear records and good housekeeping and to not inadvertently provide someone with tenure. The long-term substitutes are greatly appreciated and non-renewal is, by no means, a reflection of their work or a lack of the School District's appreciation for helping out.

Summer Work Days for Counselors – The committee discussed this normal May agenda item. With the school counselors taking over district assessment coordinator (DAC) and school assessment coordinator (SAC) work starting in 2020-2021, the number of summer work days for counselors was adjusted to accommodate this additional workload. The secondary counselor is approved for 10 days of summer work, to be submitted by timecard, and the elementary counselor is approved for 2 days of summer work, also to be submitted by timecard.

Summer Recruitment and Retention Stipend Concept – The committee was updated on the current situation where teachers and paraprofessionals have been slow to show interest in accepting summer work hours for Special Education COVID Recovery, ESY and Jump Start. Administration consulted with neighboring districts to see if they were experiencing anything similar. Brainerd Schools provided a sample Memorandum of Agreement called Recruitment and Retention Stipend. The committee reviewed the sample agreement, proposed some modifications, and authorized administration to work with the collective bargaining units to develop a similar Memorandum of Agreement for Crosby-Ironton Schools.

Equipment – The committee was updated on a request from the custodial department for a piece of equipment that meets multiple needs, but comes at a significant purchase price. That piece of equipment is called a Bobcat Toolcat. The Toolcat will be outfitted with several accessories, including a snowblower, a blade, a broom, a bucket, lifting forks and a road package (that will allow the unit to be driven between the high school and CRES). The Toolcat will eliminate the need to replace an existing John Deere lawn tractor and associated accessories, will eliminate the need to purchase the forklift that was part of the original plan for the CTE wing (and also eliminate the need for forklift operator certification, unsupervised use, and reduce overall liability), and may allow for the elimination of the John Deere Gator. The elimination of costs for new and replacement equipment, as noted, and the sale of existing equipment that can be replaced, work together to make the purchase price affordable and will provide the School District with a versatile piece of equipment that will be in service for many years to come. The equipment will be purchased using Operating Capital funds, which cannot be used for salaries or any other purpose than equipment or major facilities repair, so there will be no impact on operations as a result of the purchase.

Family Services Collaborative – The committee was updated on recent and unfolding developments relating to the Family Services Collaborative. There will be Collaborative board meeting on Tuesday, May 24, 2022 with updates to be provided by FairWinds Consulting that will explore finding continuing funding sources for the Collaborative and create options for member districts to still utilize LCTS and ADSIS funding. This would leave member fees to be applied toward paying for a part-time ADSIS team leader who would facilitate the ADSIS application and reporting process. At the present time, there appear to be enough Collaborative Board votes to take action to notify Collaborative Service workers that they will be laid off. The vote from Crosby-Ironton will be to vote to make that notification. Additional information that may still be forthcoming may change the outlook at some point in the future.

2021-2022 Revised Budget – The committee spent the rest of the meeting going through the updates incorporated into the 2021-2022 Revised Budget, which will be proposed for adoption at the May Regular School Board meeting. Highlights included:

The overall budget, including both operating and non-operating funds, projects revenues of \$19,039,792 and expenditures of \$24,895,980. This is an overall deficit of \$5,856,188, 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 revenue and now represent expenditure of bond proceeds in the out years. Building construction is expected to reflect expenditures exceeding revenue by \$5,360,000.

The most important area of the budget is the General Fund Unassigned Fund Balance. The June 30, 2021 starting point was updated from the estimate from the 2020-2021 Revised Budget to actual, which created a higher fund balance starting point. Revenue and expenditures were updated and now reflect a projected unassigned surplus of \$150,002, compared to a projected deficit on \$329,997 in the unassigned General Fund in the 2021-2022 Preliminary Budget. The Restricted for Basic Skills/Compensatory continue to reflect a deficit of over \$53,000 as revenues outpace unadjusted expenditures in that area. The overall General Fund projected surplus is \$12,713. It is important to note that this change from a projected deficit to a projected surplus is based on three primary factors, the largest being the ability supplant previously existing expenditures using federal COVID funds to alleviate the financial strain on both the Unassigned and Restricted for Basic Skills fund balances. Without the ability to use COVID funds in this way, the likely projected deficit would have exceeded \$500,000. The condition of overall expenditures in excess of revenue continues and will become a funding cliff for the 2024-2025 fiscal period, assuming all current projections hold.

More specifically, the 2021-2022 Revised Budget General Fund revenue projection has increased by \$543,194 over the 2021-2022 Preliminary Budget and the 2021-2022 Revised General Fund expenditure budget has increased \$100,533 over the 2021-2022 Preliminary Budget. Revenue growth exceeding expenditure growth creates the positive improvement to fund balance.

Overall revenue changes were based on a number of factors. Enrollment was higher than originally anticipated, with the K-12 enrollment being 26 pupil units higher than projected after mid-year enrollment factors were removed. In addition, the 2021-2022 Preliminary Budget was calculated based on an estimated 1% increase to the General Education formula allowance. In special session, the Minnesota legislature provided a 2% increase to the allowance. These two factors result in an increase in General Education Revenue of approximately \$263,500. The special education aid projection was updated based on MDE's calculations, resulting in an increase of \$137,000 in revenue due to additional state allocation (based on an assumption of special education tuition of \$252,695), which was further increased by a \$39,136 special education aid payment for 2020-2021 that exceeded the June 30, 2021 receivable, primarily due to less than anticipated special education tuition for 2020-2021. The 2021 legislature provided one-time special education cross subsidy aid in the amount of \$16,524. Finally a change in use of federal special education revenue will shift \$53,160 2021-2022 in special education tuition cost from state to federal, increasing state special ed aid. This results in a special education revenue increase of about \$246,000. The largest revenue change, which really is driven by expenditures, is in terms of federal COVID funding. A 3-year expenditure plan was developed after the 2021-2022 Preliminary Budget was adopted, which provided for approximately \$1,120,000 in expenditures that would have been incurred in the Unreserved and Restricted for Basic Skills area that are now supplanted and funded by federal COVID funding. As noted above, supplanting of expenditures happened to the extent that the General Fund would be balanced in total.

Overall expenditures are expected to increase by \$100,533 comparing the 2021-2022 Preliminary Budget to the 2021-2022 Revised Budget. This is primarily due to a combination of higher than budgeted settlements with the teachers, principals and other non-union employee; as well as higher non-supplant expenses under the COVID-based federal grants. For instance, ESSER III Learning Loss programs such as After School Tutoring and Special Ed COVID Recovery and COVID Summer Academic & Mental Health Support added \$75,000 in new program expenditures.

Kim Coughlin left the meeting at 7:05 p.m.

In the other Operating Funds, revenue and expenditures were adjusted to reflect changes in enrollment (Operating Capital) and USDA changes that provided free-to-all breakfast and lunch service to students in

2021-2022 (Food Service). Food Service also saw other new funding streams based on COVID, including Supply Chain Assistance Funding and Emergency Operating Cost Reimbursement Program which provided one-time funding to help restore the Food Service fund balance which had declined substantially during the early portion of the COVID pandemic era. The Community Service Fund was not revised due to lack of time to complete that task. The OPEB Irrevocable Trust, a non-operating fund, was adjusted to reflect a significant investment market swing in April 2022 that happened as a result of 2022 legislation for the State Board of Investment to divest itself of Russian investment holdings in response to the war in the Ukraine and the decline in the stock market as a result of ongoing inflation and increasing interest rates. The OPEB Irrevocable Trust is actually projected to experience “negative revenue” as a result of a decline in the value of the Trust’s investment portfolio. That said, there is still plenty of value left in the Trust to cover the OPEB implicit cost subsidy for many years to come.

The meeting adjourned at 7:30 p.m.

Respectfully prepared and submitted by William Tollefson