

The finance committee met in the District Office conference room on June 20, 2024 at 5:00 p.m. with the following present: Beth Hautala and Kim Coughlin. 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. Lepmiz Speech Clinician Services
 - vi. Hearing Interpreter Professional Services Contract(s)
 - vii. Braille Professional Services Contract(s)
 - viii. Student Teaching Agreement(s)
 - ix. Northern Pines for Day Treatment and Family Service Worker Programs
 - x. Consortium Agreement with Brainerd Adult Basic Education
 - xi. Joint Purchasing Agreement with Anoka-Hennepin Schools, ISD #11
- b. Minnesota State High School League Membership for 2024-2025
- c. Substitute and Other Employee Wage Rates for 2024-2025
- d. Fees
 - i. Meal Prices for 2024-2025 (not yet set pending guidance from MDE)
 - ii. Activity Fees and Gate Fees for 2024-2025
 - iii. Facility Use/Rental Fees for 2024-2025
- e. Bidding for Milk, Bread and Trash Collection
- f. Approve Superintendent to Serve as LEA for Title I Programs for 2024-2025
- g. Authorize Employment of Barb Neprud for 2024-2025 Supplemental Extra-Curricular
- h. Authorize Employment of Laura Lee for 2024-2025 Nursing Services
- i. Combined Polling Place Resolution for School Elections Held on Other Than Statewide Election Days – Calendar 2025
- j. Write-In Ballot Counting Resolution

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

Personnel – The committee reviewed a leave of absence request, were updated on the plan relating to a non-renewal of a probationary teacher, and briefed on a recent situation involving non-renewal of paraprofessional staff. Action will be taken at both the June and July regular School Board meetings addressing these items.

2024-2025 Budget Reduction – The committee reviewed the detailed list of proposed budget reductions based on the general budget reduction of 20% to 25% of the extra- and co-curricular budget. The target was approximately \$100,000. A list of items that had both revenue increases and expenditure reductions was reviewed as a follow-up from the list reviewed at the June Activities committee meeting.

Survey Results and Operating Referendum – The committee discussed the current level of surveys that have been returned and got a very, very preliminary look at some of the trending patterns in survey results. The committee then discussed strategies for finalizing operating referendum ballot question plans for a potential operating referendum ballot question on the November 5, 2024 election. Survey results will be presented to the full School Board at the July 2024 regular meeting and the School Board will have to decide on a resolution calling for an operating referendum before August 13, 2024. Note that recent legislative change to election law makes this date 10 days earlier than the previous date of August 23, 2024.

2024-2025 Preliminary Budget – The committee spent much of the rest of the meeting going through the updates incorporated into the 2024-2025 Preliminary Budget, which will be adopted at the June Regular Board meeting. Highlights included:

The overall budget, including both operating and non-operating funds, is projecting revenues of \$20,701,332 and expenditures of \$27,583,755. This is an overall deficit of \$6,882,423; with \$7,015,000 of the deficit being the result of the Building Construction Fund, which will continue to spend down until all the bond proceeds and interest income has been spent on building improvements.

The most important area of the budget is the General Fund Unassigned Fund Balance. The June 30, 2024 starting point was updated to the estimate from the 2023-2024 Revised Budget. Revenue and expenditures were updated and now reflect a projected unassigned deficit of \$316,678, compared to a projected deficit of \$243,852 in the unassigned General Fund in the 2023-2024 Revised Budget. The Restricted for Basic Skills/Compensatory reflects a deficit of \$186,846 as expenditures that were previously supplanted through the use of federal COVID funds now return to both the unassigned and restricted fund balance areas based on the expiration of COVID funds on September 30, 2024. The overall General Fund deficit is projected to be \$563,895.

Overall General Fund revenue is anticipated to decrease by \$1,261,330 over 2023-2024. The 2024-2025 enrollment projection is lower than the 2023-2024 enrollment by 28 pupil units. The 2024-2025 Preliminary Budget includes a 2% increase in the General Education formula allowance. These factors interplay to result in an increase in basic General Education Revenue of approximately \$6,654 (up \$153,439 due to increase in the allowance and down about \$146,785 due to enrollment decline, after factoring in declining enrollment aid). The most significant reason for the decline in revenue is that almost all ESSER III COVID funding was budgeted to be used in 2023-2024 prior to the funding expiration date of September 30, 2024, leaving federal COVID revenue down by \$1,362,523 over 2023-2024. Federal Title I, II and IV entitlements are also down by \$20,755 compared to 2023-2024. Basic Skills/Compensatory revenue is up \$23,353 and capital project levy revenue is up \$91,932; however, both of these revenue streams are part of restricted fund balances and can only be used for very specific purposes.

Overall General Fund expenditures are budgeted to decrease by \$234,986 comparing the 2023-2024 Revised Budget to the 2024-2025 Preliminary Budget. This decrease is based on a number of factors, including about half of the ESSER II and III expenditures being eliminated as the revenue ends, while about half are shifted to an unreserved or a restricted fund balance area. The cost of increases to employment contracts, both settled and assumptions added for those that need to be negotiated, add significant cost. The cost increases are offset partially by budget reductions of \$267,000 that were made for 2024-2025.

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 transitory year as COVID funding called Supply Chain Assistance, which subsidized the cost of milk purchased over the past several years, ends and a USDA Local Foods grant that offset some food cost, also ends. Food service is projecting to operate at a deficit of \$58,662. Community Service is expected to operate at a deficit of \$24,722, with most of the deficit resulting from expenses in the early learning programs (ECFE, School Readiness, Pathways I & II, and \$25 per Pupil Taconite ECFE) exceeding anticipated revenue. The early learning program deficit has decreased from a 2023-2024 projected deficit of \$90,904 as programming changes and staffing adjustments have been made to correct the over-expenditures.

The meeting adjourned at 6:58 p.m.

Respectfully prepared and submitted by William Tollefson