

CROSBY-IRONTON SCHOOLS
FINANCE COMMITTEE MEETING SUMMARY
May 16, 2024

Item 7.2a

The finance committee met in the District Office conference room on May 16, 2024 at 5:00 p.m. with the following present: Mike Domin and Kim Coughlin. Jamie Skjeveland and Bill Tollefson were also present.

2023-2024 Enrollment – The committee received the final enrollment update of the 2023-2024 school year. Enrollment, which had been reasonably stable throughout late winter and early spring, dropped on the enrollment report for the first Friday in May. Enrollment decreased at CRES by 3 students and there was an enrollment decline at the secondary school of 4 students. Because the enrollment decrease happened so late in the year, the impact on the 2023-2024 average enrollment will be relatively small. The important factor will be that the enrollment projection for 2024-2025 is based on a point-in-time enrollment that will be advanced a grade level and adjusted for anticipated 2024-2025 mid-year decline. Because of the significance of a 7 student enrollment decline, this will result in the need to prepare a new enrollment projection and use this decreased enrollment data in ongoing calculations being completed for the 2024-2025 Preliminary Budget.

2023-2024 Revised Budget – The committee spent the rest of the meeting going through the updates incorporated into the 2023-2024 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 \$29,131,178 and expenditures of \$26,548,086. This is an overall surplus of \$2,583,092. The three most significant reasons for this overall surplus are: 1) The Building Construction Fund includes the revenue from the issuance of the second school building bond issue in the amount of \$6,783,054; 2) the OPEB Irrevocable Trust is experiencing excellent investment returns and expected to have revenue over expenditures of \$801,517; and 3) the increase in the restricted revenue called Basic Skills or Compensatory has revenue exceeding expense by \$643,030. Both the Building Construction and OPEB Irrevocable Trust funds are non-operating funds that can only be used for very specific purposes. Basic Skills/Compensatory is a restricted fund balance part of the General Fund, and can only be used for expenses in areas covered by State statute.

The most important area of the budget is the General Fund Unassigned Fund Balance. The June 30, 2023 starting point was updated from the estimate from the 2022-2023 Revised Budget to actual, which created a higher fund balance starting point. Revenue and expenditures were updated and now reflect a projected unassigned deficit of \$243,852, compared to a projected deficit on \$44,544 in the unassigned General Fund in the 2023-2024 Preliminary Budget. The Restricted for Basic Skills/Compensatory beginning fund balance had been reduced to \$0 at June 30, 2023 and now reflects a growth of \$643,030 in fund balance. Many of the qualifying expenditures that would have had to be eliminated due to the Basic Skills/Compensatory fund balance spend-off and years of declining enrollment were shifted to ESSER II and ESSER III federal COVID revenue. With the final round of ESSER funds expiring September 30, 2024, the 2023-2024 plan is to use those ESSER funds to cover qualifying expenditures in 2023-2024 and restore a fund balance in the Restricted for Basic Skills to cushion future revenue fluctuations in that area.

The 2023-2024 Revised Budget General Fund revenue projection has increased by \$822,162 over the 2023-2024 Preliminary Budget and the 2023-2024 Revised General Fund expenditure budget has increased \$857,719 over the 2023-2024 Preliminary Budget. With expenditure growth outpacing revenue growth in both unassigned and restricted fund balances in the General Fund, the projected unassigned deficit trend is toward an increasing deficit.

Overall revenue changes were based on a number of factors. Enrollment decreased over the course of the year, from a projected 1,080 pupil units to 1,073 pupil units, and is down from 1,100 pupil units in 2022-2023. This revenue decrease was offset by revenue increases in special education aid and ESSER federal COVID revenue as efforts are made to increase associated ESSER expenditures to spend as much of the entitlement as possible prior to the September 30, 2024 deadline. The 2023-2024 Revised Budget includes a combined total of \$1,405,312 in ESSER COVID-based funding. There was also additional revenue, some

based on the need for additional expenditures, as the result of the 2023 legislature, including Between School Term (summer) unemployment at \$62,500, School Library Aid at \$40,000, and School Support Staff Co-op Aid at \$32,500; with those being offset by a requirement that previous general revenue called Literacy Incentive Aid in the amount of \$52,000, is now no longer general unassigned but required to be earmarked to fund specific mandates in reading and with underspent revenue to be applied to a restricted fund balance.

Overall expenditures are expected to increase by \$857,719 comparing the 2023-2024 Preliminary Budget to the 2023-2024 Revised Budget. This is primarily due to the actual contract settlements being more than the estimate that was included in the 2023-2024 Preliminary Budget; ESSER expenditure budget areas increasing by \$400,000 under the spend down strategy prior to expiration of this particular funding; expenses associated with the new revenue streams noted in the preceding revenue paragraph; election costs; and increased staff development expenditures in that restricted fund balance program. Some expenditure savings were experienced, including a mid-year teacher retirement that did not require a replacement in 2023-2024 (but will require replacement in 2024-2025); the ability to remove \$25,000 in budgeted expenditures for hearing interpreter needs; and the ability to supplant \$40,000 of unassigned expenses by shifting them to the new School Library Aid in the amount of \$40,000.

New to the 2023-2024 Revised Budget document was a section to inform about Anticipated Outcome-Known Differences. This section relates specifically to a budgeting strategy for certain expenses that are really beyond the control of the school district, based on factors such as the weather. The budgetary philosophy is to maintain those expenditure budgets based on long-term cost trends and not make adjustments based on one-time anomalies. This creates longer-term budgetary stability. For 2023-2024, the milder winter resulted in three such expenditure categories. Snow plowing is expected to underspend by \$50,000. Natural gas consumption is expected to underspend by \$60,000. Electricity is expected to underspend by \$30,000. The budget figures for these expenses were not changed, so a line was added to provide information on a Further Predicted Unassigned fund balance level. With the Unassigned Fund Balance in the General Fund starting the year at \$2,045,756 and factoring in these under-expenditure categories which will reflect on the actual projection and not the budgetary projection, the Unassigned Fund Balance in the General Fund would expect to end at \$2,049,904. This is a balanced budget. Reliance cannot be made, however, that the winter of 2024-2025 will be similar to the winter of 2023-2024, so the budget is not adjusted because of the level of uncertainty. In addition, there will be other budget-to-actual differences that will also impact the final fund balances at June 30, 2024.

The committee also reviewed the budget revisions for the other operating and non-operating funds.

The meeting adjourned at 8:15 p.m.

Respectfully prepared and submitted by William Tollefson