

**Cardinal Local School District
Special/Work Session Meeting
December 29, 2016**

The Special/Work Session Meeting of the Cardinal Board of Education held at 6:00 p.m. on December 29, 2016, was attended by Ken Klima, Wendy Anderson, Greg McClain, Linda Smallwood and Katie Thomas.

Roll call vote:

Greg McClain, aye Katie Thomas, aye Linda Smallwood, aye Ken Klima, aye Wendy Anderson, aye

Discussion Items:

Levy – Dr. Hunt shared that at the last meeting the Board was provided with information on possible levy millage. He did not weigh in much at that meeting but he will be tonight. He feels the 5.5 mill levy is the appropriate one to select when you look at the current approved forecast. We will be in the red \$1.8 million at the end of FY 2018 without any levies passing. A 4.5 mill levy will bring in \$1,392,439 a year, a 5 mill levy will bring in \$1,574,154 a year and a 5.5 mill levy will bring in \$1,701,870 a year. The difference between the 4.5 mill levy and the 5.5 mill levy is only \$309,431.

Dr. Hunt presented some facts to consider – both short-term and long-term. The cost of doing business continues to rise each year and we generate approximately the same dollars each year as shared in the 5 year forecast. Meaning our General Fund revenues are fairly consistent year to year. Our fiscal goal should be to carry-over between \$500,000 and \$1,000,000 each year. Why? At the advice of bond counsel and ODE these are reasonable carryover figures and these figures do not represent “extra” money. A \$500,000 - \$1,000,000 carry-over shows lenders and creditors a level of fiscal solvency that makes us attractive to do business with. In addition, it will help improve our Moody’s rating.

We continue to lose Tangible Personal Property Tax. In fact, we collected \$1.8 million last year and we will be projected to collect \$1.6 million this year. Please note the difference between 4.5 and 5.5 mills. It is \$300,000 and we lost over \$200,000 in TPP monies. We will no longer collect TPP money after FY 2021. The increase of 1 mill makes up for the TPP loss for this year. We will continue to lose the TPP as the phase out continues. Our buildings are another year older. Our PI money does not cover the cost of roofs/windows/equipment replacement for the five buildings we own. So we use the General Fund to pay for projects/repairs. Those costs continue to increase every year we have to wait to fix, repair, or replace items.

Current 5 year forecast shows a projection that we will be \$1.8 million in the red in FY 2018. In fact, with the November levy loss we won’t have an opportunity to collect any money (if we pass in May and the renewal in November) until February 2018 and we will collect only half of the dollars at that time. The second half of the collection is in August of 2018.

Taxpayer Breakdown - $\$100,000.00 \times .35 \times .0045 = \157.00 per year (\$13/month)
 $\$100,000.00 \times .35 \times .0055 = \192.50 per year (\$16/month)

Dr. Hunt does not think \$3 more a month is too much to ask to protect and preserve Cardinal Schools. We will have \$1.8 million in the hole and if we only pass the renewal in November we will still have \$500,000 in the hole for FY 2018 and \$1.6 million in FY 2019. Line 15.010 of the forecast is only a projection based on revenues and expenditures staying relatively the same. We do not know what they will actually be today for two-three years out. We had to give a plan to ODE on how we are going to handle the deficit in FY 2018. To do that we will have to cut at least \$1 million to start the next school year. We will have to turn over every stone to cut that

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much money from budget. *Mr. McClain stated the TPP reduction is on average \$240,000 each year and so the 5.5 mills will just make up for that loss of funding.* Dr. Hunt stated we need to plan for the short time.

Mark Mesarchik asked if public participation was allowed. Dr. Hunt stated it was up to the Board President. *Mr. Klima said he would allow it as long as it does not become a debate between the audience and the Board. You are allowed to ask questions and state your opinion.* Mark Mesarchik asked if the assumptions for the forecast take into account the increase in health care and fuel for the buses. *Ms. Knuckles replied yes it does.* Mr. Klima asked how we communicate this to the public so they understand the need. *Dr. Hunt stated we have a committee chair, provided she is still willing to take this on and we continue down the path we took for the last levy. Get the facts out there, let people know the difference in the levy now or the cost later.* Mrs. Thomas said the whole reason we are talking now is because the levy failed. If it passed, we would be collecting money in February. Now it would be another year before we collect any money. We need to focus on what is needed to get through next year. We absolutely need to pass a levy in May and the renewal in November. We are at the crisis level. *Dave Noble stated Dr. Hunt pointed out before there are some folks in Trumbull County that vote in our District. How does that happen?* Dr. Hunt replied the map, as printed in the Maple Leaf by Ann Wishart, shows a small area near Bundysburg Road that is part of our school district. They had 21 voters come out and voted 4 for and 17 against. This caused the levy to then fail. *Alan Preston said it is erroneous to say Trumbull County is to blame. If more folks in our District came out and voted in support of the levy, it would have passed.* Dr. Hunt stated he was not blaming anyone, he was stating the facts that in Geauga County after the recount we passed the levy, then when the Trumbull county votes were added into the mix the levy failed. *Mrs. Anderson shared that Barb did a tremendous job with chairing the levy campaign. It will now be another whole year out before we get any new money. It is not a huge amount but it is enough to get us on track again. There is talk of a new bill being introduced to change school funding. There would be a 38 mill floor and we would lose local control of the District. The state would control public education and the county would control transportation. We need to retain local control.* Ms. Knuckles added the district could only collect 38 mills and could not ask for any additional money through levies. *Mrs. Thomas said we have been stagnant for over 24 years with no increased revenues. We need to be fiscally responsible and not ask for any extra money. It is up to the community to support their school district. We need to start early and talk to folks in the community about the levy and keeping us operating as a local school district.* Brian Lanstrum asked what the current millage is. *Dr. Hunt stated it is about 53 mills including the debt issues.* Mrs. Smallwood asked Barb Rayburn, as chairman, would she be ok with a 5.5 mill levy. *Mrs. Rayburn responded she would not be ok to continue if the amount was not effective. The 5.5 mills is reasonable for our needs.* Mr. McClain stated in the forecast the known percentage of inflation does not take into account the catastrophic issues that could come up. That is why the \$1,190 in the bank is not acceptable. Gas costs could go up because of a refinery fire is just one example of things you cannot plan for.

Ms. Knuckles asked if the Board was set on a 5.5 mill levy. The Board agreed it would be reasonable to request a 5.5 mill levy. They then moved to the required motion for said levy.

Resolution of Necessity

Mrs. Smallwood moved and Mrs. Anderson seconded a motion to approve the following Levy Resolution:

A RESOLUTION DECLARING IT NECESSARY TO LEVY AN ADDITIONAL TAX FOR THE PURPOSE OF CURRENT EXPENSES AND REQUESTING THE GEAUGA COUNTY AUDITOR TO CERTIFY THE TOTAL CURRENT TAX VALUATION OF THE SCHOOL DISTRICT AND THE DOLLAR AMOUNT OF REVENUE THAT WOULD BE GENERATED

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BY THAT ADDITIONAL LEVY, PURSUANT TO SECTIONS 5705.03 AND 5705.21 OF THE REVISED CODE.

WHEREAS, this Board finds that the amount of taxes which may be raised within the ten-mill limitation by levies on the current tax duplicate will be insufficient to provide an adequate amount for the necessary requirements of the School District and that it is necessary to levy a tax in excess of that limitation for the purpose of current expenses; and

WHEREAS, in accordance with Division (B) of Section 5705.03 of the Revised Code, in order to submit the question of a tax levy pursuant to Section 5705.21 of the Revised Code, this Board must request that the Geauga County Auditor certify (i) the total current tax valuation of the School District and (ii) the dollar amount of revenue that would be generated by the levy; and

WHEREAS, in accordance with Division (B) of Section 5705.03 of the Revised Code, upon receipt of a certified copy of a resolution of this Board declaring the necessity of the tax, stating its purpose, whether it is an additional levy or a renewal or a replacement of an existing tax, and the Section of the Revised Code authorizing its submission to the electors, and requesting such certification, the County Auditor is to certify the total current tax valuation of the District and the dollar amount of revenue that would be generated by the proposed levy;

NOW, THEREFORE, BE IT RESOLVED by the Board of Education of the Cardinal Local School District, Geauga and Trumbull Counties, Ohio, that:

Section 1. This Board declares that it is necessary to levy an additional 5.5 mill ad valorem property tax outside of the ten-mill limitation for the purpose of current expenses, and that it intends to submit the question of that additional levy to the electors at an election on May 2, 2017, as authorized by Section 5705.21 of the Revised Code. If approved, that tax would first be levied in tax year 2017 for first collection in calendar year 2018 and run for a continuing period of time.

Section 2. This Board requests the Geauga County Auditor to certify to it both (i) the total current tax valuation of the District and (ii) the dollar amount of revenue that would be generated by the 5.5 mill levy specified in Section 1.

Section 3. The Treasurer of this Board is authorized and directed to deliver promptly to the Geauga County Auditor a certified copy of this resolution.

Section 4. This Board finds and determines that all formal actions of this Board and of any of its committees concerning and relating to the adoption of this resolution were taken, and that all deliberations of this Board and of any of its committees that resulted in such formal actions were held, in meetings open to the public, in compliance with the law.

Section 5. This resolution shall be in full force and effect from and immediately upon its adoption.

Roll call vote:

Linda Smallwood, aye Katie Thomas, aye Ken Klima, aye Wendy Anderson, aye Greg McClain, aye

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Pay-to-Participate Fees – Dr. Hunt stated there is the recommendation for PTP Fees at \$1,000 per sport on the agenda tonight. You can, as a Board, vote it down and come up with another option but he will show you why it is still on as recommended. Dr. Hunt said he is putting his business hat on now. Knowing that we have projected \$1,190 in the bank at the end of the year, we are not replacing the high school principal and we are shuffling staff around for another position that is leaving. We have to look at ways to save the District money, to have in the bank at the end of the year. \$1,190 is not fiscally sound. *Mr. Klima heard that it was put at that amount as a threat to pass the levy. It was not. The Board would look at all costs to cover the cost of the sport and look at how many students were needed to have a team. We will have to raise PTP costs to cover the costs for the season. Ms. Knuckles put some figures together to show the estimated cost of spring sports.* Mrs. Anderson said the fee needs to cover the cost of the coaches, their payroll taxes and transportation. At Riverside they have a booster club for each sport. They took a lot of time figuring out the cost of each sport, from electricity on down. The Board pays 20% of the cost for the sport and the booster club does fundraisers to cover the remaining costs. She was not sure our booster club could divide up like that or not. She asked Ms. Knuckles about the cost of heat, field maintenance, uniforms and officials. The heat is paid with the general fund building costs. The others are paid through the 300 Athletic/Activities fund. So we are not looking to cover those costs at this time.

Ms. Knuckles put together a few slides as requested to show the cost of spring sports and the musical last fiscal year and what it actually cost per student compared to the PTP fee collected. She also calculated an estimated the cost for this fiscal year on a per student basis.

BASEBALL -	\$300 FEE	15/25 PARTICPANTS	
FY 2016 - Actual			
Head Coach	\$3,995	Cost per Player:	
Assistant Coach	\$2,996	15 Participants	\$708.73
Bus Drivers	\$2,096	25 Participants	\$425.24
STRS	\$ 983	Actual No of Participants 25	\$425.24
SERS	\$ 429	PTP Fees Collected	<u>\$6,448</u>
Medicare/WC	<u>\$ 132</u>	General Fund Supplement	<u>\$4,183</u>
Total Cost	<u>\$10,631</u>	PTP Fees should have been collected	\$7,500

BASEBALL -	\$300 FEE	15/25 PARTICPANTS	
FY 2017 - Estimate			
Head Coach	\$3,995	Cost per Player:	
Assistant Coach	\$2,330	15 Participants	\$658.33
Bus Drivers	\$2,000	25 Participants	\$395.00
STRS	\$ 985		
SERS	\$ 430	PTP Fees Estimate	<u>\$6,000</u>
Medicare/WC	<u>\$ 135</u>	General Fund Supplement	<u>\$3,875</u>
Total Cost	<u>\$9,875</u>		

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SOFTBALL -	\$300 FEE	15/25 PARTICPANTS	
FY 2016 - Actual			
Head Coach	\$3,995	Cost per Player:	
Assistant Coach	\$ 0	15 Participants	\$379.00
Bus Drivers	\$ 657	25 Participants	\$227.70
STRS	\$ 0	Actual No of Participants 17	\$334.41
SERS	\$ 965	PTP Fees Collected	<u>\$3,837</u>
Medicare/WC	<u>\$ 68</u>	General Fund Supplement	<u>\$1,848</u>
Total Cost	<u>\$5,685</u>	PTP Fees should have been collected	\$5,100

SOFTBALL -	\$300 FEE	15/25 PARTICPANTS	
FY 2017 - Estimate			
Head Coach	\$3,995	Cost per Player:	
Assistant Coach	\$ 0	15 Participants	\$379
Bus Drivers	\$ 657	25 Participants	\$336
STRS	\$ 0		
SERS	\$ 965	PTP Fees Estimate	<u>\$3,182</u>
Medicare/WC	<u>\$ 68</u>	General Fund Supplement	<u>\$2,503</u>
Total Cost	<u>\$5,685</u>		

TRACK -	\$300 FEE	20/40 PARTICPANTS	
FY 2016 - Actual			
Head Coach	\$4,994	Cost per Player:	
Assistant Coach	\$5,992	20 Participants	\$723.50
Bus Drivers	\$1,454	40 Participants	\$361.75
STRS	\$1,555	Actual No of Participants 38	\$380.79
SERS	\$ 295	PTP Fees Collected	<u>\$9,507</u>
Medicare/WC	<u>\$ 180</u>	General Fund Supplement	<u>\$4,962</u>
Total Cost	<u>\$14,470</u>	PTP Fees should have been collected	\$11,400

TRACK -	\$300 FEE	20/40 PARTICPANTS	
FY 2017 - Estimate			
Head Coach	\$4,994	Cost per Player:	
Assistant Coach	\$5,326	20 Participants	\$680.80
Bus Drivers	\$1,420	40 Participants	\$340.40
STRS	\$1,445		
SERS	\$ 250	PTP Fees Estimate	<u>\$8,500</u>
Medicare/WC	<u>\$ 181</u>	General Fund Supplement	<u>\$5,116</u>
Total Cost	<u>\$13,626</u>		

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TRACK - MS	\$200 FEE	20 PARTICPANTS	
FY 2016 - Actual			
Head Coach	\$1,997	Cost per Player:	
Assistant Coach	\$1,332	20 Participants	\$248.70
Bus Drivers	\$ 927		
STRS	\$ 468	Actual No of Participants 26	\$191.31
SERS	\$ 188	PTP Fees Collected	<u>\$4,720</u>
Medicare/WC	<u>\$ 62</u>	General Fund Supplement	<u>\$ 254</u>
Total Cost	<u>\$4,974</u>	PTP Fees should have been collected	\$5,200

TRACK - MS	\$200 FEE	20 PARTICPANTS	
FY 2017 - Estimate			
Head Coach	\$1,997	Cost per Player:	
Assistant Coach	\$1,332	20 Participants	\$244.65
Bus Drivers	\$ 927		
STRS	\$ 469		
SERS	\$ 100	PTP Fees Estimate	<u>\$4,500</u>
Medicare/WC	<u>\$ 68</u>	General Fund Supplement	<u>\$ 393</u>
Total Cost	<u>\$4,893</u>		

MUSICAL -	\$75 FEE	35/45 PARTICPANTS	
FY 2016 - Actual			
Director	\$2,663	Cost per Player:	
Assistants	\$2,394	35 Participants	\$171.40
Bus Drivers	\$0	45 Participants	\$133.31
STRS	\$ 553	Actual No of Participants 47	\$127.64
SERS	\$ 316	PTP Fees Collected	<u>\$3,354</u>
Medicare/WC	<u>\$ 73</u>	General Fund Supplement	<u>\$2,645</u>
Total Cost	<u>\$5,999</u>	PTP Fees should have been collected	\$3,525

MUSICAL -	\$75 FEE	35/45 PARTICPANTS	
FY 2017 - Estimate			
Director	\$3,200	Cost per Player:	
Assistants	\$1,500	35 Participants	\$161.11
Bus Drivers	\$ 0	45 Participants	\$125.31
STRS	\$ 555		
SERS	\$ 316	PTP Fees Estimate	<u>\$3,000</u>
Medicare/WC	<u>\$ 68</u>	General Fund Supplement	<u>\$2,639</u>
Total Cost	<u>\$5,639</u>		

TOTAL COST OF SPRING SPORTS/MUSICAL

FY 2016 – Actual		FY 2017 - Estimate	
Baseball	\$10,631	Baseball	\$ 9,875
Softball	\$ 5,685	Softball	\$ 5,685
Track - HS	\$14,470	Track – HS	\$13,616
Track - MS	\$ 4,974	Track – MS	\$ 4,893
Musical	<u>\$ 5,999</u>	Musical	<u>\$ 5,639</u>
Total Cost	<u>\$41,759</u>	Total Cost	<u>\$39,708</u>

GENERAL FUND SUPPLEMENT

FY 2016 – Actual		FY 2017 - Estimate	
Baseball	\$4,183	Baseball	\$3,875
Softball	\$1,848	Softball	\$2,503
Track - HS	\$4,962	Track – HS	\$5,116
Track - MS	\$ 254	Track – MS	\$ 393
Musical	<u>\$2,645</u>	Musical	<u>\$2,639</u>
Total Cost	<u>\$13,892</u>	Total Cost	<u>\$14,526</u>

Ms. Knuckles added the fees collected are what was collected in that fiscal year. Many of the fees were collected in the next fiscal year. *Dr. Hunt stated with a very low projected ending cash balance we have to do things to ensure we will have more than the projection in the bank by the end of June.* Mrs. Anderson said the cost depends on the number of students participating. *Mr. McClain stated in the past students who could not afford to pay all at once were allowed to play, but due to the budget constraints we need to make sure all fees are paid up front.* Mr. Klima agreed the fees need to be paid before the season starts. *Dr. Hunt said we definitely need more structure on collection of the fees.* Mrs. Thomas added that this gives the boosters and businesses the opportunity to step up and help pay for those students who want to play but cannot afford to do so. *Dr. Hunt stated they have helped out in the past and we hope they will continue to do so going forward.*

Candi Peters asked where the ticket sales money goes. *Ms. Knuckles replied that money is paid into the 300 Athletic/Activity fund for uniforms, officials, field maintenance, reconditioning of equipment and such.* Mrs. Peters said she knows the musical was costly last year for sets and backdrops but it may not be this year. *Ms. Knuckles replied those costs are not part of the PTP fee. The staging and costume costs are paid with the ticket and ad sales in a separate 300 fund.* Mrs. Thomas said the fall play has money in the bank. The separate fund shows where the money goes and what it costs to do a program. Perhaps we can get parent or community sponsors. She feels we need to be creative to keep these activities going. *Brian Lanstrum asked if a coach could volunteer.* Ms. Knuckles replied no, these are contracted positions in the teachers’ union contract. You cannot volunteer for a “paid” position. You can be paid for the position and then donate the money back to the school.

Mr. McClain said he is a long-time supporter of football. It looks bad for the football team but the games bring out the marching band, the flagline and the cheerleaders. The Band Boosters earn money at the concession stand. Without a football team these other groups are affected as well. Dr. Hunt said he is only looking at the spring sports right now. If the levy passes in May, we will be having a different conversation. We have to have

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more than \$1,100 in the bank at the end of the year. This is a priority discussion. *Mrs. Smallwood asked if the ticket sales cover equipment.* Ms. Knuckles replied yes as well as donations or money from the boosters. *Mark Mesarchik asked if the ticket money could cover some of the PTP fee.* Ms. Knuckles replied there is not enough money in that account to cover both. It barely covers the other costs, not a lot of money left at the end of the year. *Mrs. Anderson asked what happens to the family that have qualified for the cap.* Dr. Hunt stated we would have to look into that. *Mrs. Smallwood said if each team could raise money for their sport it would help.*

Dave Noble said in terms of raising more revenues, there are groups using our buildings we could raise their rent. Mrs. Anderson said they have yearly contracts. *Dr. Hunt said they review them each year. STARS and the church group are set for this year.* Mr. Noble thought we could see if Lakeland or Kent State would want to rent rooms to hold classes.

Mr. Lanstrum asked what the cost would be for the musical. Rebecca Fisher said with a higher number of kids you need additional adult supervision. *Dr. Hunt stated we would have to set a maximum but we could lower it once we get signups.* Mr. Mesarchik thought we could be setting up a situation where parents would wait to see how much it will cost before signing their kids up. *Mrs. Thomas said we need to get the information out so parents know what to expect.* Mrs. Peters wondered if the parents would know the final cost by the first day of practice. *Dr. Hunt replied yes.* Mr. Lanstrum asked if this affects middle school activities as well. *Dr. Hunt replied yes.*

Mike Timas said so this is mostly to take care of the shortfall until June. *Dr. Hunt stated yes, the Board is most likely going to vote no to his proposal and suggest a new one to cover the cost of spring sports.* Mr. Timas said when he first heard of the \$1,000 for track his first thought was no way are my kids participating. But he understands it was part of the sale for the levy, to show the needs. *Dr. Hunt said the reason was due to having a projected \$1,100 in the bank on the forecast. That is why this recommendation is here tonight.* Mr. Klima knows the \$1,000 statement created a lot of discussion. *Mr. Timas said he is better aware of the situation, but realizes \$1,100 is not a good position to be in at the end of the year.* Mrs. Anderson stated it is always Dr. Hunt's job to make recommendations to the Board and ours it to agree or disagree with them. \$40,000 has to come from somewhere, it is not in the budget. *Mrs. Smallwood said they should set the fees based on Board discussion.*

At this time the Board has decided to set the musical fee so they can start working on the show and then will set the remaining spring sport fees at the next meeting. Based on the estimate in Ms. Knuckles slide presentation of Spring Sports and Musical Fees, the musical fee will be \$162 for an expected 35 participants to cover the estimated cost of \$5,639 for the director, assistants and payroll taxes.

Pay to Participate Fees

Mrs. Smallwood moved and Mrs. Anderson seconded a motion to increase pay to participate fees from current levels to \$1,000 for remaining sports/activities for the 2016-2017 school year.

Roll call vote:

Greg McClain, nay Linda Smallwood, nay Katie Thomas, nay Ken Klima, nay Wendy Anderson, nay

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Mr. McClain moved and Mrs. Smallwood seconded a motion to set the pay-to-participate fee for the musical at \$162 based on minimum of 35 participants and a total cost of an estimated \$5,639.

Roll call vote:

Linda Smallwood, aye Katie Thomas, aye Ken Klima, aye Wendy Anderson, aye Greg McClain, aye

Superintendent's Report

Human Resources/Personnel

Mrs. Anderson moved and Mrs. Smallwood seconded a motion to approve the following personnel matters:

Resignation

- Kourtney Kelly, Flag Line Advisor, effective December 19, 2016

FMLA

- Debra Martell, effective January 5, 2017 for 10 weeks

Rescind Contract

- Kevin Baggett, split MS Wrestling coach contract, due to resignation of co-coach

Supplemental Contract

- Kevin Baggett, MS Wrestling coach, Step 0 - .06, effective November 1, 2016

Roll call vote:

Wendy Anderson, aye Greg McClain, aye Linda Smallwood, aye Katie Thomas, aye Ken Klima, aye

Tax Budget Review

Ms. Knuckles presented a slide presentation "Tax Budget –Putting the Puzzle Pieces Together" so she could review the Tax Budget process with the Board prior to their approval at the January 11th Board Meeting. To start with there are several pieces to the Tax Budget puzzle that need to be put together before the final Tax Budget is completed. The Tax Budget is marked to show what supporting documents supply the information included so the Board can follow the process and get a better understanding of what is involved in the Tax Budget process.

Puzzle Piece #1 – Why do we prepare a Tax Budget? A Tax Budget shows the money expected to be collected by the school district for the next fiscal year based on current tax levies and collections and the estimated expenditures so they can operate. There are vast differences in how a school district is obligated by Ohio Revised Code to operate and how a county, village or business is able to operate. If costs go up, the county, village or business can simply raise the costs of doing business, BUT the school district cannot. If the cost of putting together widgets goes up the business can increase the sales price of the widgets to us when we purchase the widgets. If the cost of treating the sewer run-off goes up so will our sewer bills. A school district cannot charge for the students to attend, our only option is to levy taxes.

Puzzle Piece #2 – What is the purpose of the Tax Budget? The Tax Budget will establish the need for local tax collections by the District so tax rates can be set by the County Budget Commission. If a new levy comes on the

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books or a levy failed to be renewed this is where they are officially added or removed from the revenue base of the District. If the 4.5 mill levy passed in November it would need to be added to the tax budget so the District could officially start collecting the associated revenues. The information on the Tax Budget is used by the Budget Commission to establish the Certificate of Estimated Resources for FY 2018.

Puzzle Piece #3/4 - The Tax Budget document as presented to the County Auditor and Tax Budget Commission lists the current tax levies for the District, shows a brief detailed look at a two year history, the current budget for those funds that receive property tax revenues, and the adjusted forecast for FY 2018. A Tax Budget is included for each fund that receives tax revenues. That would be the General Fund, the Middle School Bond Retirement Fund, the Library Bond Retirement Fund and the Permanent Improvement Fund.

Puzzle Piece #5/6 - Once the Tax Budget document is completed, we are required to approve the Tax Budget by January 15th and submit it to the County Auditor by January 20th for approval at the Tax Budget Hearing held by the Tax Budget Commission in February. This Tax Budget sets the beginning numbers for the District's budget for the next Fiscal Year and is based on expected tax revenues which are the District's biggest revenue source. This is considered our Temporary Budget and will be approved at the June 2017 Board meeting, for the start of FY 2018, which covers July 1, 2017 through June 30, 2018.

Puzzle Piece #7 - Several documents are used to put the Tax Budget together. The Tax Budget is mostly based on the Schedule B as prepared by the County Auditor's Office. Each levy that is currently being collected within our District is listed at 100% collection value, 98% and 95%. The District receives 3.5 mills at 100% of value of inside millage and has four levies on the books that are continuing levies and one levy that is renewable every five years. Each levy can only collect the amount of taxes it was originally voted in for. As the assessed valuation goes up, the effective rate will go down to keep the collection the same. The 1976 and prior levy is for 20.20 mills that collects at 3.97 mills. The 1977 levy is for 5.70 mills that collects at 1.12 mills. The 1981 levy is for 7.50 mills that collects at 1.83 mills. The 1985 levy is for 4.50 mills that collects at 1.63 mills. The 2007 levy is for 9.70 mills that collects at 9.36 mills and is renewable every five years. The District moved 1 mill of inside millage to the Permanent Improvement Fund in 2007 that collects at 100% of value. The District has two bond levies. The 1999 Middle School Construction Bond levy is for 2.70 mills that collects at 2.23 mills and the 2001 Library Construction Bond levy is for .85 mills that collects at .73 mills. The County Auditor will review the debt payments required for the next fiscal year to verify if the millage needs to be adjusted up or down so there is not a buildup of money sitting in the debt funds.

Puzzle Piece #8 - The FY 2017 Tax Budget Worksheet. A Tax Budget Worksheet is completed to calculate the numbers used in the Tax Budget. The County Auditor has historically certified the total Real Property Tax revenues from the Schedule B at 98% of total valuation for the Tax Budget. The tax values are entered into the worksheet and at the bottom of worksheet page 3 is the calculation of the homestead and rollback amounts for the next fiscal year as well. The tax value is multiplied by 10% for the Homestead and Rollback portion. This is the amount subtracted from your home tax bill that you do not pay. The State pays this back to the District after the tax settlement is completed. There are expected changes to Homestead and Rollback down the road. Any new levies will not have the H&R deduction on the individual tax bills. The homeowner will be paying the full value on all new levies. The difference between the total real property tax revenues and the homestead and rollback value is the expected tax revenues to be collected from the residents and received by the District.

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Puzzle Piece #9 - Tangible Property Tax Loss Value Make-up revenue payments are certified at 100% of their value. We expect \$1,199,000 in these payments to the General Fund according to the County Auditor's estimate. The phase out period for the make-up payment started up again in FY 2016. In FY 2015 we received \$1,903,179, in FY 2016 we received \$1,837,006, in FY 2017 we are expecting to receive \$1,668,572 (per county auditor) and this will be phased out by FY 2021. We have no idea if anything will replace them when they are stopped. This information from the Schedule B is included on the Tax Budget Worksheet provided to the Board and on the Tax Budget document.

Puzzle Piece #10 – The Five-Year Forecast. The current budget and the Five-Year Forecast are the next major documents used to complete the worksheets. The revenues and expenditures from the last three years and the current fiscal year and next fiscal year amounts are entered in the Worksheet from the Five-Year Forecast as approved by the Board on October 12, 2016. The current budget is also entered in case there are any major changes to the budget since the preparation of the Forecast in October.

Puzzle Piece #11 - Our Energy Conservation Bonds are included separate from the General Fund. The revenues and expenditures from the last two fiscal years and budget for the current fiscal year are entered into the Tax Budget Document. The cost savings from the energy changes made to the District are used to pay the debt. For Tax Budget purposes these revenues are classified as tax revenues and must be subtracted from the General Fund tax revenues. The tax revenues equal the expected debt payments which are entered as the expenditures for FY 2018.

Puzzle Piece #12 - Debt Service Funds revenues and expenditures are included in the Tax Budget Document. The revenues and expenditures from the last two fiscal years and budget for the current fiscal year are entered into the Tax Budget Document. The tax revenues calculated at the bottom of page 3 of the Tax Budget Worksheet are used for FY 2018 and the expected debt payments are entered as the expenditures for FY 2018. Debt Service payments for principal and interest for FY 2018 come from the Debt worksheet from our FY 2016 Financial Report.

Puzzle Piece #13 - The Permanent Improvement Fund receives 1 mill of inside millage each year as approved in 2007 to provide monies for building upkeep, technology and textbooks. The revenues and expenditures from the last two fiscal years and budget for the current fiscal year are entered into the Tax Budget Document. The tax revenues calculated at the bottom of page 3 of the Tax Budget Worksheet are used for FY 2018 and the expected expenditures and debt payments are entered for FY 2018.

Puzzle Piece #14 – Statement of Fund Activity. The Tax Budget includes a Statement of Fund Activity for all other funds of the District. This includes an estimate of the beginning cash balance as of July 1, 2017, the revenues to be received in FY 2018, the expenditures to be made in FY 2018 and the ending cash balance expected for each fund listed as of June 30, 2018. These estimates are based on the actual activity for FY 2016 and the current activity for FY 2017. The figures included here are the basis for the Temporary Budget for Certified Revenues and Appropriations for the start of FY 2018. Adjustments will be made in September as needed and approved by the Board to meet the Permanent Budget requirements by October 1st. The estimates are lower than the previous actual as Ms. Knuckles is conservative in her budgeting practices. It is easier to increase later when more money is received than to take it away mid-year.

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Puzzle Piece #15 - A Schedule of Indebtedness is also included in the Tax Budget based on the debt schedule from the FY 2016 financial audit. These figures are used to verify the amount of taxes needed to be collected to pay the debt issues outstanding each year.

Puzzle Piece #16 – Bringing it all together. Once the puzzle pieces are put together the Tax Budget is approved at the January meeting prior to January 15th and submitted to the County Auditor prior to January 20th. This Tax Budget helps to set the operations of the District for FY 2018. Looking at the anticipated revenues and the Forecast will guide the Board to decide what cuts will or will not be needed to balance the budget for FY 2018 as required.

Extra Puzzle Pieces – After everything is put together we unfortunately have some extra puzzle pieces to deal with. Food for Thought –

- We have scrutinized the budget to push out our cash balance from a potential deficit situation in FY 2014 to a positive cash balance until FY 2017. However the estimated cash balance is very small on the Forecast.
- The Passage of the 9.7 mill levy in November, 2017, will not get the District through FY 2018 without hitting a deficit cash balance in the General Fund. Therefore reductions will be needed to begin the next school year.
- The timing of the cash received by the General Fund is a major concern when looking at the monthly payment obligations.
- Our main revenue source – TAX REVENUES - is received in August and February, but we have to pay our bills on a monthly basis.
- It is very important to have an ending cash balance of at least \$500,000 at the end of the fiscal year so we can cover this slow revenue period which normally hits in November through January.

Problem Areas Or Areas Of Concern:

- The restatement of the phasing out of the Tangible Personal Property Tax Loss Value Make-up payments from the State WITH NO FUNDING ELSEWHERE TO MAKE UP FOR THIS LOSS OF REVENUES.
- The School District will not see any major increases to tax revenues for this budget period and is uncertain about State funding.
- When a levy is passed in one year it will not be collected until the next calendar year – one half in the February/March tax collection and the other half in the August tax collection.
- **TIMING IS EVERYTHING!**
- The increases in areas such as repairs, maintenance, transportation costs and special education instructional costs are why the District must use caution when planning the budget and future projects and expenditures.
- The largest areas of expenditures are controlled by contracted obligations such as salaries and benefits and purchased services.
- **The need for new monies in FY 2018 and beyond is very apparent when you look at the Five-Year Forecast** in combination with the Tax Budget.
- Based on our current Five-Year Forecast - If new monies are not approved/passed by January 2018, the District will face a deficit situation for FY 2018 and forward.
- The Department of Education will do a calculation based on the FY 2016 total revenues to decide if our

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deficit warrants further analysis and declaration of Fiscal Caution, Watch or Emergency.

- State Auditor's office will then be called in to do an analysis of our finances and then we could be placed in Fiscal Caution, Watch or Emergency at that time.

Ms. Knuckles asked if there were any questions from the Board and they had none at this time. She asked the Board to review the documents and let he know later if there is something more they need. Otherwise she will clean up the presentation and the Tax Budget for the approval at the January meeting.

Adjournment:

Mrs. Thomas moved and Mrs. Smallwood seconded a motion to adjourn the meeting.

Meeting adjourned at 7:55 P.M.

Roll call vote: unanimous yes.

Kenneth Klima, President

Merry Lou Knuckles, Treasurer