

**Cardinal Local School District
Work Session Meeting
February 22, 2016**

The **Work Session Meeting** of the Cardinal Board of Education held at 5:00 p.m. on February 22, 2016, was attended by Ken Klima, Wendy Anderson, Greg McClain, and Katie Thomas. Linda Smallwood was absent.

Discussion Items:

Levy Information/Determination – Dr. Hunt printed out the different levy options that should be similar to the ones Ms. Knuckles presented at the last meeting. We need to have a discussion about what we need to look at as far as levy goes if anything at all. At our regular meeting on the 9th we should be approving the resolution to go to the county auditor to get the numbers necessary to continue the process. Let's review quickly the options available to us.

Option 1 is to do nothing and focus on the 9.7 mill levy renewal. You can see with that option by FY 2020 we are in the red and will be in either fiscal watch or emergency.

Option 2 is to do a 3 mill emergency or new operating levy. You can see how the numbers play out for the fund balance through FY 2020. The 9.7 mill levy renewal is expected as well.

Option 3 is to do a 4 mill emergency or new operating levy. You can see how the numbers play out for the fund balance through FY 2020. The 9.7 mill levy renewal is expected as well.

With Option 2 or 3 we will have about \$154,943 at the end of FY 2017 provided nothing else is taken from our budget than what has been forecasted. Cumulatively the passage of the 3 or 4 mill levy will keep us in the black and provide a cash balance to meet our obligations at any time during the year.

Option 4 is to do a 4.5 mill emergency or new operating levy. You can see how the numbers play out for the fund balance through FY 2020. The 9.7 mill levy renewal is expected as well. By FY 2020 we will have \$3,211,393 at the end of the year.

Option 5 is to do a 5 mill emergency or new operating levy. You can see how the numbers play out for the fund balance through FY 2020. The 9.7 mill levy renewal is expected as well. By FY 2020 we will have \$3,587,643 at the end of the year.

Mr. Klima believes the best options will be between options 2 or 3 as the other ones will be hard to sell to the community and what our needs are for that much money. They are conservative amounts and if we watch our budgeting we can make it through. Mrs. Anderson asked about the two replacement options on the other sheet. Mr. Klima thought the replacement of 5.7 mills sounds really high for folks. Mrs. Anderson agreed and with the replacement levies we can only put them on once a year. Dr. Hunt thinks strategically you have to think about some of the things we have ran into this year. Earlier this year we had Brewer Garrett come in with a \$2.3 million plan to do roofs and windows and we ended up paring that down to an even smaller number. And we still struggled to get financing. The reason we struggled to get financing is because of our fund balance being so low. We did not have enough in the bank for someone to say you are a good risk. And often that is the way it is with school districts. We do not generate revenues, we do not collect or raise monies other than tax dollar to go into the general fund. Sometimes we are at the mercy of others. Mr. Klima stated option 1 is definitely out since we have to do something. Dr. Hunt stated even if we passed a levy in August, we would not collect the money until the next year. So we would have to eke out another year in our current reality. Mr. McClain added where any significant large repair would wipe out our finances. Dr. Hunt was certain people saw the posting on Facebook with the recent leak at the high school. It goes back to the needs. It is hard to know people are seeing that and yet they won't support the levy. We have to do a significant amount of work on our end to get this passed as the need has not changed from the beginning of our levy talks. Mr. Klima stated the only way to stop

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a flat roof from leaking is to turn it into a pitched roof. Auburn spent millions of dollars to do that. *Mrs. Thomas asked if he thought that was a wise thing to do.* Mr. Klima said Auburn had three layers of flat roof to go through so the cost was high. *Dr. Hunt was not sure if we have completely replaced the roof or just continued to patch parts at a time.* Mr. Klima stated Auburn was structured to add flat roofs while the high school would need to punch holes and add support for the pitched roof. That would cost a lot of money.

Mrs. Anderson asked what kind of increase we are talking to the taxpayers. Dr. Hunt said he talked with Ms. Knuckles earlier, who will be here later, Ms. Knuckles tends to think we should pull the PI levy off the table as it does not seem like a viable option at this point. When talking about the 5.7 mill levy, the increase would be about 4.6 mill from what it is collecting at now. The other choice would be option 4 with the 4.5 mill operating levy as they would collect about the same amount of money for the taxpayer. *Mr. McClain asked if the 4.5 was the new money or the replacement money.* Dr. Hunt replied the new levy money. We know a mill will generate about \$300,000 so a 4.5 mill levy will generate over \$1.2 million a bit more than the 3 mill PI levy we were asking for. The new operating levy would be a continuing levy. *Mrs. Thomas asked about option 3 the 4.5 mill replacement levy.* Mrs. Anderson stated if you look at that option and compared it to the 4.5 mill new levy the numbers are exactly the same. The renewal is an increase of less than 2.9 mills and the amounts are the same, the numbers don't seem right. The replacement would be less of an increase for the taxpayers. *Mr. McClain said the numbers can't be the same, there is an error somewhere.* Mrs. Anderson said we are already collecting 1.6 mills so the increase is 2.9 mills. *Dr. Hunt said option 2 is the replacement of the 1977 5.7 mills which would collect \$1.7 million at current value. It is already collecting about \$470,000 so the increase is about \$1.2 million.* Mrs. Anderson said looking at the numbers it is hard to follow that. She wants to see the increase to the taxpayers and is not seeing it. Maybe when Ms. Knuckles gets here she can explain why the numbers are the same for the replacement levy of 4.5 mills and the new levy of 4.5 mills. *Mr. McClain said here is our question, let me frame it out. If you look at the 4.5 mills that is currently being collected at 1.6 mills so there would be an increase of 2.9 mills. But if you look at the dollar values listed for collection it is the same as the collection of the new money of 4.5 mills which is impossible. It cannot be correct. The 2.9 mills cannot generate the same as 4.5 mills.* Dr. Hunt stated we will have to ask Ms. Knuckles to explain it when she gets here since she put it all together.

Mr. Klima mentioned the new ruling and asked how it will affect this levy. Dr. Hunt stated there will be no homestead and rollback on any new levies or replacement levies at current values. That is why it is important to pass the 9.7 levy to keep that deduction. *Mrs. Anderson said if you look at what Ms. Knuckles gave us before and compare it what she gave us today it looks like she copied it over but did not update the figures.* Mr. McClain stated she did not subtract out the amount currently being collected from the figures to show just the increase in tax collections. So for the 4.5 mill replacement the total for 2018 should be \$430,541 and the next two years listed would be \$861,083. *Mrs. Thomas suggested she run the numbers again to be clear.* Mr. McClain said the new money numbers are correct. *Mr. Klima asked so the options are new money or replacement money.* Mrs. Anderson said she can't figure that out without the right numbers to see what the bottom line is. *Dr. Hunt said so option 3 replacement if the collection rate is correct then it would mean we would see an increase of 2.9 mills. This would generate \$861,063. We know 2 mills would cost about \$71 so this would cost about \$100.* Mrs. Anderson said so are we adding 4.5 mills or 2.9 mills.

Mrs. Thomas said the question will come up again about needing permanent improvement money. Dr. Hunt stated we already said that the PI money can come from anywhere and we would use a part of this money to help cover those costs. *Mrs. Thomas feels it needs to be stated clearly otherwise it just looks like general fund money to be spent any way you want to.* Dr. Hunt said that has to be a statement of the Board. If we go with either of these it will generate money for the general fund and we currently use general fund money to pay for repairs now. *Mrs. Thomas said we have one mill in PI now.* Dr. Hunt agreed but it certainly does not pay for all of the repairs and improvements needed. The concern is when money is in the general fund they believe that we

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are handing it out to people. *Mrs. Thomas stated they feel it will all go towards salaries and benefits.* Dr. Hunt stated we have many things to pay in the district besides those items and we have to talk about the cash flow issue. That is most important. The money that is sitting there is the actual number. We have been transparent with the costs and will continue to do so. *Mrs. Thomas' opinion about the 4.5 replacement is the whole frugal thing. 2.9 mill is not a lot but we have to articulate out our needs. We can market the point that we have been very frugal and when you look back we have not asked for new operating levies since 1992. We have gone for renewals that have mostly passed but all new monies have failed since then according to the levy history sheet. We have not generated new operating money in this district since 1992.* Dr. Hunt stated we have spent the last three years pushing the money out by creating efficiencies but you can only squeeze so much blood out of a turnip. He cannot control the cost of health care or the governor's budget cuts. We are not a business where we can go out sell our business to generate money. Unfortunately we have to go to the people. He does not want to slash and burn, he is not the guy for that. *Mrs. Anderson said the cuts are not effective here to the no voters of the district any way. They will vote no regardless.* Mr. Klima said we tried to work to meet their requests of money for different programs and to eliminate pay-to-play and they still voted us down. *Mr. McClain said there has been a shift in the economy and there will be another one again. Folks are feeling pretty good about where they fit in the economy. But we still have to educate our children and the community needs to support that. A good part of the community understands that, but we have a problem getting them to the polls to support us. Getting parents and grandparents to the polls to support the school is the tough part. The job we have to do is get the picture from Facebook out to the people so they understand the needs. We get pushback about the wages and benefits but we need to address the issues. We are moving in a positive direction right now. The fact that we are sending our kids out of here with college credits is amazing. It may be easier to say it will only be 2.9 increase but we cannot sell ourselves short. With the 5.7 mill levy it is collecting at such a low rate at this point in time. We gain 4.6 mills which translated into \$1.3 million of new money. That is \$110.40 for every \$100,000 of tax valuation. It is \$30 more a year and it will sustain us so we do not have to go back to the taxpayers. It gets difficult with going back again and again. We have to go for the 9.7 mill levy regardless. Let's put a plan together showing various information. The last five years the state has taken \$X from the district. We know the governor is going to be here for a while and he has a pattern of cutting our budget. He is against funding public education and we need to plan for it. We lost over \$100,000 this year and probably at least \$75,000 last year and our friends in Chardon lost over \$1 million this year. We are not the only school district to be asking for new money. We need to build a plan to show the need and the losses affecting our ability to operate.* Dr. Hunt shared we are looking internally at everything. You know our health care renewal was at 39% increase, \$750,000 out of our money to pay for benefits for our people. Our broker did not help us out so we picked up a new broker and a new insurance plan. We got a 22% increase, not where we want to be but it brings down the original cost increase. We are looking at health care options to see what we can do better. He is sure that John Q Public does not know we came it at 39% increase. If we can cut \$500,000 of those costs we will be in a better position. We are working to make sure we are as efficient as we need to be. We are back to where we were two years ago where we need to bring our community back here to support the district. If the school dies the community dies with it. We are going to have to do a better job of getting that support from the community. We have to let go of the past and continue to move forward or we will be in the same boat as our neighbors. We do not want to be in fiscal emergency.

Dr. Hunt provided information to the SOS guy to review our data and help give us some direction for a levy campaign. According to his work we need to raise \$1.56 for every voter and get 300 volunteers to pass a successful levy campaign. Not likely to happen though. *Mrs. Thomas picked up some other levy information at capital conference. There are services available for money but they do not do the work they just give you the data of what to do.* Dr. Hunt stated we need to put more effort into the process. *Mr. McClain stated there seems to be a very engaged elementary group with PTA as well, they were on Facebook and at fundraisers. Not sure if they get less engaged at the upper levels or not.* Mrs. Anderson said it depends on the parents.

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Dr. Hunt asked which of the ideas seem preferable to the group. Mrs. Thomas likes the idea of the replacement levy since the increase may not be a harder sell. Mr. McClain said the selling point is we have this levy but we are collecting it at 1977 property values. That is somewhat easier to explain. Mrs. Anderson feels it is going to take a lot of education. Mr. McClain said without a doubt. We need to see more than two people at a board meeting and thanks to you two for showing up. We need lots of people to get on board and show their support of the district. Maybe we need to call some of those people who are positive or negative and invite them to come and learn what is happening, to get an understanding of the district. We want to be able to fill the room and try to get them to understand what is going on at the schools, the good and the bad. Mrs. Anderson said that has been a long time problem, but experience shows unless there is a problem with the football team or sports this room does not fill up. No offense to anyone, but everybody wants to be the armchair quarterback but no one wants to be the science teacher. Dr. Hunt agreed, most parents get their kids to school and as long as they are safe and learning they are good with what is happening at the school. Mrs. Thomas said the ultimate responsibility is on us to get the information out to the community. Mrs. Anderson said we have tried many different ways to communicate out. We need to catch them while they are waiting for a game or a concert. Mr. Klima said we need to get the financial facts out and we can use his house as a guinea pig for tax bill purposes. Mrs. Anderson said the change with loss of the homestead is there whatever way we go. Mr. Klima said we need to earmark money for the various projects so people understand. Dr. Hunt stated we have a five year plan something we have not had in the past. It lays out the preventative maintenance and needs. Mrs. Klima believes Ms. Knuckles can lay out the cost of the levies to the homeowner and the other financial information needed. Dr. Hunt said let's get the information together that we want her to provide. He will talk to her later since she still has not made it here. Option 1 – do nothing and Option 2 – 3 mill levy are off the table. From what Mr. Klima has been hearing the choices are down to the 4 mill or 4.5 mill new operating levies and the 5.7 mill or 4.5 mill replacement levies. Mrs. Anderson asked what Ms. Knuckles' comfort zone was. Dr. Hunt said they talked about the 5.7 mill replacement and the 4.5 new or replacement mill levies. Mr. McClain said if we go with the 5.7 replacement which is about 4.6 mills collection and if it doesn't pass we can come back with the 4 or 4.5 mill of new money in November. He was wondering what the objection was for the no votes on the PI levy. Was it no more money or were they against the school? Mrs. Anderson said it would be hard to get a flavor for that since there were so many different reasons. Dr. Hunt thought there was a lot of confusion about what was going on in regard to the consolidation. Were we staying or were we going? If you are going why would they vote to increase their taxes here? But we are in a different spot now.

Mrs. Thomas thinks they should discuss the pros and cons of going in August. *Dr. Hunt said August gives us two chances.* Mrs. Anderson said it keeps us out the mess in November with the general election. *Mr. Klima does not see how we could not go in August and then November.* Mrs. Thomas said it depends on how you want to market it. What can we do in June and July to get people to think of school levies? What is the cost of a special election? Is that money well-spent? We had a low voter turnout. *Dr. Hunt said we need to worry about the message. Why are we waiting until June to get the message out? It was important in November and it is important now.* Mr. McClain asked if anyone knows what is going on in March. We can ask the board of elections what is on the ballot, he is sure some other district or entity will need to go in August. We have engaged social media voters but we have to reach more of the other voters. *Dr. Hunt said we have not gotten enough of the parents and 18 year old voters to come out and vote.* Mr. McClain said if we wait until November we only have one other chance to get money to keep us operating the next year. We may go into fiscal watch but knowing our revenues are going down we cannot afford to put all of our eggs in one basket by only going in November.

Mrs. Thomas stated we need to have a plan in place to promote this levy including where the money will be spent, what our message is and we need to know what the time frame is. We need to work on the direction of the levy. Dr. Hunt stated the board cannot run the levy, he has talked with Barb Rayburn who has agreed to chair the levy committee. Once we determine what we are going after then we will work to get the message out. Same

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plan as before, gather the facts, contact people, hold a meeting and go forward. *Mrs. Thomas asked about the time line for getting the levy on in August.* Dr. Hunt stated we have to pass the resolution of necessity at the March 9th meeting and then pass the other resolution in April to make the levy deadline for the August election.

The Board has determined it would like to see the 4 or the 4.5 mill new operating levies and the 5.7 or 4.5 mill replacement levies and have the new money collection amounts broken out on the spreadsheet. At the meeting on the 9th the Board will discuss the levies again and then have to pass a resolution to ask the county auditor to provide the tax amounts.

Ms. Knuckles arrived and was updated to what the Board is looking for. *Ms. Knuckles stated we need to know what levy is requested so we can pass the resolution to the county auditor on the 9th.* It was suggested to have a resolution without figures passed at the meeting to get the amounts from the county auditor and then we could fill in the blanks later once we know what levy we are going with. *Ms. Knuckles is not sure that is allowed. She also asked for specific details of the additional information the Board is expecting.* They want to know the new collection amount of the two replacement levies in addition to the current collection amount, the cost of the levies to the homeowner, and the effect of the homestead and rollback on the levies.

Adjournment:

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

Meeting adjourned at 6:20 P.M.

Roll call vote: unanimous aye

Kenneth Klima, President

Merry Lou Knuckles, Treasurer