

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

The **Work Session Meeting** of the Cardinal Board of Education held at 5:00 p.m. on February 3, 2016, was attended by Ken Klima, Wendy Anderson, Greg McClain, Linda Smallwood and Katie Thomas.

Presentations:

State Report Card – Dr. Hunt presented the most recent release of the State Report Card. He asked the Board what they know about the State Report Card and how they calculate the scores. A lot of things have changed since 2012-13. *No one knew how the scores were figured.* Dr. Hunt stated the State Report Card is typically released by June 15th with preliminary data and this year it was nowhere near June. It is in part due to the testing debacle that has happened with the PARCC assessments and the Common Core, and the understanding across the state about these items. He wants to try and explain what the grades mean and why they reflect what they reflect. This is only part one of a two part release of data. It is important to understand what is on the report card in case you get questions from the public. The state has changed its mechanism to report how well a school is doing to a graded system of A-B-C-D-F, moving from a system of ratings of ‘excellence with distinction’, ‘excellent’, and ‘effective’. There is a lot of information to understand so he wants to walk through it as the calculations are not simple to understand. He reviewed the methodology used.

K-3 Literacy – looks at which students were deemed on track on the kindergarten diagnostic taken in the fall of 13-14. It also gives credit for the students deemed on track on the first grade diagnostic taken in the fall of 14-15. So you need to understand what diagnostic means. *It's a test.* When you go to the doctor he will do some diagnostic tests to see where your health is. These tests measure where the students are coming in at the beginning of the school year for that grade. Then in 3rd grade they look at the scores on the Ohio Achievement Assessment (OAA) tests. The percentage of improvement from one year to the next is calculated. This is a bit confusing and yet it is how they calculate the grade to be reported. They measure the literacy improvements based on tests taken in spring of one year and in September of the next school year after the kids have enjoyed their summer and most likely did not spend it reading. They use the kindergarten diagnostic compared to the first grade diagnostic, the first grade diagnostic compared to the second grade diagnostic, and second grade diagnostic compared to the third grade diagnostic and the OAAs also play into the third grade figures to calculate the grade. In the example, 40 out of 100 kids were not on track in kindergarten for September. In grade one of the 40 not previously on track, 20 improved to on track. In grade one 30 out of 100 kids were not on track. In second grade 15 out of those 30 improved to on track. In second grade 20 out of 100 were not on track. In third grade 10 of the 20 improved to on track. Of the 10 not on track 7 of them passed the OAA. So these number are added up $20+15+10+7-2$ is divided by the number of kids not a track. The grade is 50%. It seems crazy but that is how it is calculated.

Now about Cardinal, we get a district report and 1/2 and a 3/4 building reports. And they all represent a different grade. It is important to understand that. At the district level, when you look on the ODE website and look at the district report for K-3 literacy, the calculation is based on our numbers. Our numbers are 18 for kindergarten, 5 were on track. In grade one 25, with 6 on track. In grade two, 20 with 8 on track. In grade three, 23 with 14 on track. So we have a total of 86 kids, 33 were on track. $33/86 = 38.4\%$. *Ms. Knuckles asked for a clarification. The 86 kids do not represent all kids in kindergarten just the kids who are not on track. This is not a calculation based on the total population, correct.* Dr. Hunt responded correct. *Mrs. Bearer asked to speak briefly. In actuality what she shows is they had 19 kids with 9 kids being on track. But with this new information and how the calculation works, the 9 kids were negated. There were 7 kids who were on track but then took the diagnostic in first grade and were not on track. That took us from 50% to 5 kids. It affects all grade levels. One thing to remember is if a kid leaves a grade they are not in the RIMP count. The transiency doesn't hurt us. But the piece that bothers her, is that 13-14 was the first year we had MAP testing and in kindergarten we were advised to use the KRWL testing as the diagnostic. Then they came out with KRA in 14-15 and we used that, the different tests from one year to the next were not like comparing to apples to apples. It will take two years to*

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

have comparable test grades used in the calculations. We have not retained anyone due to the third grade reading guarantee. That is our success. Dr. Hunt believes it is important to hear that the principal is on track with our students. The principals and superintendents around the county are frustrated and displeased with how this is rolling out. We are in safe harbor at the state until 17-18, which means none of the data can be used against the students or teacher evaluation. What is frustrating is this information is going out to the community with very little explanation of what these things really mean. Mrs. Anderson asked how many different testing options are there. Mrs. Bearer explained you can use the paper/pencil diagnostic option from ODE, they have various approved assessments such as MAP. Mrs. Anderson stated basically you are saying that each school could be using different tests so the report cards are comparing apples to oranges. So how is any of this fair and appropriate? Dr. Hunt stated that is why we are in safe harbor until all this is figured out. Mrs. Bearer stated there is a problem when kids are struggling with reading leave school in June and then comes back at the end of August with very little reading over the summer, in a new grade, with new teachers and assess them. Mrs. Thomas asked if all kids are using the computer for testing. Dr. Hunt said yes all testing is aligned that way. Mrs. Thomas stated the student who has not used a computer is up the proverbial creek then. Mrs. Bearer stated they have a lot of volunteers who help them out in small groups and if we believe the test is not valid do to various issues we can invalidate the test and give them another chance. Honestly the kindergarteners have not had any problems, it was more of the teachers getting used to and understanding the programming/test. It was more working with the test than the actual test itself. They have now changed the LEP assessment from K-12 and she has 25 kids in kindergarten. They have to do four hours of testing, an hour at a time which is spread out over five weeks. Mrs. Anderson asked what happens to the kids who passed the tests. Where do they play into this state report card? Dr. Hunt said those grades are part of the next release due out later this month. Achievements are reported separately. So looking at Jordak, they got an F while the district got a D. This is because they are only using certain figures in their calculations, $11/43$ which equals 25%. It is the same calculation as before. We could save Jordak by having only one IRN for both buildings. This does not mean kids cannot read by the end of third grade, it means whether or not they are on track from one year to the next. Mrs. Thomas asked how the special needs kids figure into these testing grades. Mrs. Bearer said they are not exempt from testing. Even the kids who have a significantly different curriculum have to take the tests; alternately assessed kids are included as well. Dr. Hunt continued with the Intermediate building scores which are based on the third grade data and the OAA, 66% for that building. Mr. McClain asked if there were any figures on the age of our kindergarten students, such as large number of 5 year olds vs. 6 year olds. Mrs. Bearer stated we used to have a birthday cut date of September 30th and last year we changed it to August 1st to make sure the kids were more prepared to learn. Mr. McClain thought that is more beneficial and it tends to show the benefits more in high school than maybe at the elementary level as it did with his son. Mrs. Bearer said it really does show now by keeping them out one more year. Three/four months really makes a difference especially in reading. Mrs. Smallwood stated reading is so fundamental at that age. Mrs. Bearer said they will test the kids if they are reading and have good comprehension if they are not 5 until August or September. Dr. Hunt continued he wanted everyone to know we have a D at the district level, a C at the intermediate level and an F at the elementary level. One of the things we have talked about at professional development days is that the report card is not going away and we will be held to it. What we are doing to accomplish more here, is the state stuff is at the floor for us and we are implementing changes to go above the floor. One thing we found out is our curriculum is not quite aligned to the state model curriculum and we are working to adjust to those levels. We need to make sure we are using consistent assessments so we get a better read of what our kids are doing. Mrs. Anderson said when she home schooled there were different degrees of the testing. How does the MAP testing rank? Dr. Hunt stated the MAP testing is adaptive testing where if you answer the question right they give you a harder question next. It adapts to your abilities. Many assessments are state approved and available for us to use. It is important for you to ask questions and understand so when you are asked about the report in the paper that says Cardinal has an F at Jordak. They make a judgement based on grades with no real understanding of what those grades mean or how they are calculated. We can talk to the information.

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

Graduation Rate – Dr. Hunt stated we get two graduation rates, a 4-year rate and a 5-year rate. The 4-year is the number of students who graduate in four years or less with a regular or honor diploma divided by the number of students who are in the final adjusted cohort for the graduating class. This accounts for transiency, kids coming in and going out of the district during those years. So the calculation is the number of kids in grade 9 divided by the cohort number plus the transfers in plus the number of dropouts in any year plus the number of students reported in error plus the cohort non-grads plus the number of reinstated transfer kids minus the number of cohort transfers out. When you are looking at the newspaper and making a judgement about what happens you need to know what goes behind this. Our 4-year graduation rate for 2014 has a starting cohort of 103 students and a countable cohort of 155. $103/115 = 89.6\%$. *Ms. Knuckles asked how the special education students who are considered seniors but stay on passed that year are included in this calculation.* Dr. Hunt said that is part of the confusing part of the calculation. We are currently reviewing the numbers of the reported student count as we look at the number of students reported in October and then in February and compare them to our building counts. Last year's count is reporting a drop in enrollment so we have to review how students are being reported. This count plays into the state funding. *Mrs. Anderson asked if these numbers come from EMIS.* Dr. Hunt replied yes. There is a lot that goes into the EMIS process and we have been meeting with the EMIS coordinator, the principals and special education to make sure all students are counted for appropriately in the system and ultimately at the state level. We currently have one of our students placed in an alternative placement, who took the test and passed as proficient but is not counting on our report. We have found the other entity is not coding him correctly and it is affecting our numbers.

The 5-year rate, includes the summer grads and other information as listed above. We had 90 to start and 96 to finish, so we got a 93.8%. If you do not know how that is calculated you would think we are just not graduating kids and that is not accurate. Let's look at the data, and uncover and dig to make sure we are reporting accurately what is happening for our district and so people understand what is happening here.

Prepared for success – Dr. Hunt shared this new measure on the report card. The state is going to measure districts on their ability to prepare kids for the future. The figures are based on the graduating class. The denominator of the graduation rate for 2014 was 115. Out of the 115 students, 70 of them took the ACT – 60.9%. 24 students met the cut scores to be remediation-free on the sub-tests of the ACT. We had 9 students take the SAT and 3 students were remediation-free. We had 10 students earn an honors diploma, 20 students received an industry recognized credential – primarily those students are attending Auburn Career Center, 17 students in advance placement courses, 11 students scored a 3 or better on the AP exam, and 11 students earned dual college credit. We now call this college credit plus. We did pretty well. One thing we need to celebrate is where we are today. Previously we had post-secondary options off-site and this year we offer college credit plus courses with our credential teachers right here. We offer several courses for 6 credits each for seniors and juniors. By the end of the school year we will have granted 402 college credits to our students right here on our campus. We have 11 students in PSEO offsite and we have 55 students participating right here. WE are able to do this due to our credentialed teachers who received this distinction through Lakeland. Mr. Eric Cardinal, Mrs. Rebecca Falin, Mr. Lee Fenner, Mrs. Ipce Flores, Mrs. Maureen Fowler, Mrs. Jean Jerina, and Mrs. Kim Richards are our current teachers and Mr. Dan Chenoweth and Mr. Ben Clutter are in the hopper to be approved as well. This is pretty impressive! In two years' time our high school staff has pulled this together to offer this opportunity to our students. We are enabling our kids to be well prepared for their future with these opportunities. As a Board you should be very proud of our staff and more importantly our kids. We are ahead of other districts in our county with these programs here at Cardinal.

Mr. McClain noted the highest performing school in the area was Solon but they were only 67%. It's not like we are 48 compared to 99 or 100. Dr. Hunt stated in the new system the districts that were used to being the top in the area are getting low percentages and struggling with the grading as it is not a true reflection of what is happening in their district or ours as well.

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

High School/Middle School Course Registration - Dr. Hunt presented the course guide for next school year. He is just going to point out a few items as you will have a copy to review. On page 7 – graduation requirements. We moved to a block schedule giving the kids the opportunity to earn 32 credits. Credit needed through 2017 are 21 in total. We will be graduating kids in 11th grade at this rate. We have changed the requirements coming into this year to have the class of 2019 needing 24 total credits. With the opportunity of college credit plus, dual credits – high school and college credit, and students can get 24 credits in their junior year. We need to have senior history and English available to them for college requirements and we need to keep them here for their senior year, so for the class of 2020 we are bumping the credits to 26 to graduate. Middle school students can earn their PE, health and a science credit before getting to the high school. This will open up the opportunities for the kids and allow us to raise the level of rigor in the high school. Page 11 & 12 – is a pretty good representation of the pathways we have for students. We eliminated courses that said “basic” and eliminated the lower level, watered down courses. We have two pathways – prepare for college or prepare them for a career. They would follow the typical college prep pathway and choose other elective courses. The career path is very similar to the college path. The elective courses will help you to prepare your way towards a career. College Credit Plus plan and courses to be offered start on page 12. These are the classes taught by our teachers, on our campus for dual credit.

Mrs. Thomas asked a question in regards to Auburn Career Center. Are the pathways for those students not attending Auburn? Is there another path for them? Dr. Hunt stated the path that includes Auburn is a little different from the career pathway shown here. *Mrs. Thomas asked about how the distance learning classroom is worked into the classes offered.* Dr. Hunt responded right now we are just scratching the surface with the distance learning lab and we just had a second training on that programming. We are working through the grant requirements and providing professional development for the teachers to learn the programs. No plan is set out yet as the training is still being done. We are still working on all of the details. *Mr. McClain asked if the addition of biology is due to Ben Clutter being certified as this is a new class this year. Math will follow when Dan Chenoweth is certified, correct.* Dr. Hunt replied yes. Dr. Hunt shared the college ready plus program is also delivering headaches as the districts work through who the instructors are, how the classes are being structured, and what is being offered. Districts are looking at what is being offered across the area. We have been able to add coursework and bump some things down to the middle school so kids are geared to go further in high school. *Mr. McClain stated for all intents and purposes we could send our students to college in 10th grade.* Dr. Hunt said yes, they would have the credits at the high school level and have college credits to start them off ahead of the game. They may be able to earn a two-year degree while in high school. *Mr. McClain meant they could potentially walk into college at the sophomore level with the credits earned here.* Dr. Hunt agreed. *Mrs. Anderson stated if the credits transfer to that school.*

Dr. Hunt stated the next big topic which concerns college credit plus is the class rank, valedictorian/salutatorian and the need or desire to recognize kids in this way. Based on his experience prior to coming here as the assistant principal, we changed our requirements for this because everyone was the valedictorian. If you got an A and played the system you get 10 valedictorians, every year. We went to an index based on the strength of your schedule. Principals in the CVC are having similar conversations about how to select a valedictorian and if there should even be one. In discussion with Mr. Hunter, Mrs. Peters and Mrs. DeRamo, they are going to talk to a committee for a study and recommendations on what to do for next year. He feels it is absolutely fantastic to want to be at the top of the class and we will continue to recognize those students, but on a different set of criteria. At Perry we also recognized students of distinction. This is important to study so we can raise the bar for students to succeed. By the way, there is no college that gives scholarships to valedictorians. For now it will stay put but we are going to explore different criteria and recommendations. It has a lot to do with rating the college credit plus courses. We must weight a college course the same as an AP course regardless of the content of the course. This needs to be addressed as well.

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

Dr. Hunt briefly reviewed the pathways for a college course student and a career ready student with the Board as shown in the course registration booklet. We staff our classes by the numbers; the number of teachers needed and when the courses are offered. *Mrs. Anderson stated a student could take English 9, 10, 11 and 12 in one year and she is wondering if there are any guidelines to prevent that from happening. She is concerned the student will be too far from an English class by the time they go to college.* Dr. Hunt stated we are telling kids English 9 is 9th grade, English 10 is 10th grade and so forth. Unless you are making a pathway to graduate early. There are additional classes in the booklet not included in this slide to cover all the needs in the pathway. *Mr. McClain stated his son took a college writing classes in 11th and 12th grade that were very helpful.* Dr. Hunt continued reviewing the different paths – if the student is heading in the direction of science, etc. *Mr. McClain asked if a college path student would be able to take some of the other science classes as electives. For instance if they are on a science pathway could they take environmental science as an elective while taking the biology or higher level science courses.* Dr. Hunt said yes, they have to have English every year but in the other areas there is flexibility. The document will be shared with the Board so they can read it over before approving it at a future board meeting.

Discussion Items:

Financial Review – Ms. Knuckles gave the Board the **School Finance 101** booklet in January. This is a reference document for board members. There is an introduction of what the responsibilities of the Treasurer's office are. We are responsible for all of the financial transactions of the School District. Every decision made will have a financial impact on the District somewhere. We are guided by the Ohio Revised Code, ORC. There are two other folks in the Treasurer's office, Rebecca Fisher – Treasurer's Assistant and Payroll/Benefits Clerk and Terri Fisher – Accounts Payable clerk. There are several terms and definitions you will hear over the year such as appropriations, budget, budget modifications, certified estimated resources and appropriations. Ms. Knuckles reviewed several terms with the Board. The Board Policy Manual is available online for all board members. Any amendments are approved at the board meetings and then added to the manual. We have all gone through the organizational meeting, a regular meeting and a work session meeting so you basically know what is required at those meetings. The meetings are established at the organizational meeting in January. If a meeting on the approved list is changed to another date, it is to be advertised as a special meeting. There is a section on the budget, the five year forecast, tax budgets and other areas of financial matters. Generally Accepted Accounting Practices or GAAP is a term related to our annual financial report prepared by and audited by the departments in the State Auditor's Office. We have had clean, good audits each year, with occasional suggestions for better accountability. Even when we had the situation where the secretary took money and we had to reinforce the procedures for handling money, we still received a clean audit. Our office stresses proper accounting procedures and reviews them regularly with the staff. In the next few months we will be reviewing the components of the five-year forecast. The forecast is not going to be pretty in a few years due to the cuts in state funding, the phasing out of tangible property tax replacements, an increase in insurance premium, and basic costs rising each year. Additional discussions on the future deficits will be held a bit later. A list of funds and descriptions are also included so the board can be familiar with what funds are on our books and where the money and expenditures go. The general fund is our main fund with several funds on the books. We receive funds from three grants. We pay salaries, benefits and other expenditure from these grants. Without the over \$1 million in these grants the general fund would have to pay the cost. A review of the monthly treasurer reports is included so you know what those statements are and what they mean to you as board members. The last two pages are organizations the district belongs to and the permissible reasons for executive session. Any questions can be directed to the treasurer or the staff at any time.

Fiscal Year Fiscal 2015 Financial Report – Ms. Knuckles gave the Board a copy of the audited financial report and explained that this and future financial statements are going to be ugly due to GASB 68 requiring entities to report long-term retirement liability on the financial statements causing most entities to have large deficit

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

balances on their financials. This report is based on GAAP and starts with the cash received and the cash spent from July 1, 2014 to June 30, 2015 and then adds in the money received/paid out in July and August of 2015 meant for the 2015 reported fiscal year and subtracts out the money received/paid out in July and August of 2014 meant for the 2014 fiscal year. Most people do not read much of this report, so please do not feel bad if you read it and decide a few pages is enough. On page 2 starts our independent auditor's report that states we have fairly presented all appropriate information and we have been given a clean audit. The state auditor's office will be bringing out an award for excellence in reporting based on this report. The management letter includes some information on what was happening in district and what the report is based on. On page 7 the table shows the ugly part of the report. It is reporting a -\$18 million dollars as an ending fund balance. The net pension liability is the reason for this number being so large. Every person who has worked for Cardinal Schools paid into either SERS or STRS for retirement benefit purposes. Each month after they retire they receive a pension check. Since two major cities did not plan appropriately for funding this retirement liability and their financial reports were looking really ugly, GASB designed this statement to share the liability with all of the entities even though the entity would never be responsible for paying this liability. Certain folks in Ohio have fought against this including the auditor of state. This looks bad since we only have a \$17 million budget for all funds to begin with. If you do not read the explanatory paragraph about GASB 68 it looks like we do not know how to budget our money. *Mrs. Thomas asked what is this going to do if we were to go out to borrow money.* Ms. Knuckles stated that was a big concern. The bond counselors and advisors had to be educated on this statement. This is what the state auditor fought about and they did get a separate line item so the bond folks are able to subtract that figure to see the true picture. With converting the cash basis figures to GAAP the long-term liabilities will give us a negative balance most years, but never as big as this does. These items are all explained throughout the report.

Cash Flow – Ms. Knuckles wanted to discuss one last item before leading into the levy discussion – Cash flow. At home you get a paycheck every month or every two weeks and based on those checks that you know are coming in every month you plan your bill payments. Every month you have money coming in to pay your bills. At a school district we have money coming in each month; however the largest source of our revenues is taxes. We get one settlement in August and one in February. We have to pay nearly \$1 million a month for payroll, benefits and other bills. So the money received in August plus any other monies received have to be enough to cover the bills until the next settlement and other monies are received. At the end of last fiscal year there was only \$197,000 left in the general fund and we still had to meet all of the bills for July and into August until the tax money was received. On the books you will see at times the general fund has a negative cash balance, but with the total cash in the bank, there is enough money from all funds in one pot to cover the required bill payments. It is like a shell game with your cash flow. Between November and January it has been a difficult shell game. We have contracted law to make payroll and to pay debt. We have missed a few due dates and paid a few bills late this year since there was not enough money in the bank to meet our commitments. When we are talking about the levies and the needs of the district, this cash flow will be an important factor. We need to have at the end of the fiscal year no less than \$500,000 in the general fund in order to meet our required bills each month between tax settlements. On the five-year forecast we need to show money at the end of the fiscal year. When someone says you have too much money sitting in the fund at the end of the year we need to assure them it is necessary to meet our bills for the full year. With money in the bank we may finally be able to get a 6 to 9 month CD again. We can start investing again, something we haven't done in about 4 years. *Mr. McClain said, god forbid if you have to make a repair or something and you have no money to cover it.* Ms. Knuckles said exactly, that is a real concern. You cannot just look at the forecast and see \$\$400,000 sitting there and think we are fine. We have to have enough money to make the obligations each month and therefore we need money in the bank for the low revenue times. CASH FLOW – important words!

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

Levy Information – Dr. Hunt stated on that note let's talk about levies. It should be no surprise that we need talk levies. We have pushed out the money as far as we can and now we are in the position that we need to ask for new money from the community. The five of you are in a position that you have no real control over, but this board is going to have to make some tough decisions. We do not expect you to make a decision tonight, but Ms. Knuckles put together some information on the five-year forecast and the potential effect of various choices of levy options. Please remember the need hasn't changed from earlier this year. But now we do not have the opportunity to ask for and campaign for a new levy in March. We previously talked about the need of a PI levy as we have much needed PI projects and part of that strategy was to move the 1 mill of inside millage back into the general fund to stabilize the budget. We are no longer in the position where that is the best strategy. We have talked about a few different ideas for levies. We have a continuing levy on the books that is collecting at 1977 values and we could consider replacing it at current values. We have talked about the perception of this type of levy and what it does. The fact of the matter is that we have to ask for new money to operate in the very, very near future. We must pass the 9.7 mill levy soon as well. We do not want to continue to go back and ask for money year after year so we have to think a bit out of the box to get the same or better results. We need to garner the support of those who see the possibilities of quality education. We need to put all the garbage of the past behind us and focus on the future for our students. The future of the community lies right here at this school district. People will not move into a community that does not have a good solid school district. We need to rally around a basic cause and get the needed support to pass a levy and continue the good things going on here at Cardinal.

Ms. Knuckles shared "Just the Facts", some items and misinformation regarding levies.

- There is a charge to put a levy on the ballot. The amount will depend on what other levies your voting districts will be voting on at that time.
- If you are the only levy you will bear the full cost of putting that levy on the ballot.
- The elections costs are deducted from your tax settlements in August or February whichever falls after the election date.
- Special elections generally will cost the district more to put a levy on the ballot.
- School districts will bear the full cost of putting board member elections on the ballot, regardless of what else is on the ballot.
- Levies can be for a specific period of time or a continuing amount of time.
- Levies are based on mills - x mills collect \$x per mill.
- New money or emergency levies are brand new to the district. They are an increase in the amount of taxes already paid by the taxing district.
- A renewal levy is for a specific amount of time and must be renewed by a vote of the people to continue that levy for another specific period of time. It collects the same dollar value as it did before.
- A replacement levy takes a levy currently on the books for the district and replaces it at current assessed values. A 5.70 mill levy collecting at 1.120317 mills currently would be voted on to begin collections at 5.70 mills. An increase in values of 4.579683 mills times the assessed valuation for the homeowner.
- Due to House bill 920 – A levy can only collect at the amount it originally was voted in for. If the assessed values increase (decreased) the millage is reduced (increased) so the same amount of money is collected each year. **THERE IS NO GROWTH!**
- Homestead and Rollback credits are applied to all levies on the district's books for the homeowners. This credit is then reimbursed to the school district by the state.
- As of 2015, any new levies or replacement will not have the benefit of the homestead and rollback credit to the taxpayer. The taxpayer will pay the full amount of the tax value of their property.
- Special Election is on August 2, 2016.

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

- We would need to vote on a resolution to get the values from the county auditor at our April regular board meeting at the latest.
- We would need to vote on a resolution to go to the voters on a ballot at our April work session – making it a special meeting at the latest.
- We must have all paperwork to the board of elections prior to May 4, 2016 to make the ballot in August.
- General Election is on November 8, 2016.
 - We would need to vote on a resolution to get the values from the county auditor at our July regular board meeting at the latest.
 - We would need to vote on a resolution to go to the voters on a ballot at our July work session – making it a special meeting at the latest.
 - We must have all paperwork to the board of elections prior to August 10, 2016 to make the ballot in November.
- A replacement levy for current values can only be placed on the elections ballot one time a calendar year – main election year.
- If you put a replacement levy on in August you could not put it on again in November.
- If we put a levy on in August, we would need to discuss what to do if it does not pass and approve the resolutions prior to the actual vote or meet at a special meeting after elections to get the resolutions approved and to the board of elections in the required time period.

Ms. Smallwood asked what the cost of a levy has been. Ms. Knuckles replied about \$2,000 per precinct. This cost is deducted from the tax settlement received in either August or February. We paid the full cost of any levy only voted on by Cardinal School District community members, such as a board member vote or a special election vote where ours is the only item on the ballot. Our 9.7 mill renewal levy needs to be renewed every five years and only collects the amount of money it was originally voted for. In order to receive the money for a renewal levy it must be passed at some time during the year before it expires. School districts run on fiscal years but levies run on calendar years. Money voted in one year is not collected until the following year. The replacement levy that Dr. Hunt was talking about means we would take the 5.7 mill levy from 1977 and replace it at current values. *Mr. McClain asked what that levy was currently collecting at.* Ms. Knuckles replied it is currently collected at 1.12 mills for \$470,000. If this is passed as a replacement it would collect 5.7 mills at today's assessed values or \$1,715,500, an increase of \$1,245,700. House bill 920 killed the growth potential of levies. But this house bill is a good thing for tax payers as there is a deduction on their tax bills for the HB920 effect. This deduction is then paid to the schools by the state so we receive the full value of the tax collection. If you put new money on the ballot, this deduction will not be available for homeowners. The time line for putting on a levy was shared as well. *Mr. McClain asked what the cost was for getting information from the county auditor.* Ms. Knuckles replied it does not cost us to get the information. We are charged a fee when they process the collection and settlement of our tax dollars. She also shared the information in regards to the permanent improvement levy, what is would be used for and other items used during the levy campaign. The October forecast was provided to show the estimate cash position of the district to be used in levy conversations. The positive cash balance is not enough to support the revenue slump that comes in November through January. The schedule B shows the levies on the books and the millage they are currently collecting at and the amount of tax revenues coming into the district.

She also shared some levy possibilities with the Board. Potential Effect of Future Levies:

Permanent Improvement - Option 1 – is to do nothing and receive no new monies in 2017. This would definitely lead to fiscal watch or emergency by FU 2018. *Mr. McClain asked by the larger dip in tax revenues*

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

from FY 2017 to FY 2018 concerning the 9.7 mill levy renewal. Ms. Knuckles replied one half of the levy is not collected in FY 2017 – the portion from January to June 2017. If the levy fails to be renewed the full year's value is not collected in FY 2018 and each additional year. We do not have the option of doing nothing.

Option 2 – 3 mill permanent improvement levy shows positive balances for the general fund due to moving the 1 mill of inside millage back into the general fund. But the ending balances are very low. Ms. Knuckles is not comfortable with these low balances after this last cash flow cycle and feels the district needs to have no less than \$500,000 – preferably \$750,000 – in the general fund as of June 30th.

This is why Dr. Hunt and she have talked about the fact that the PI levy will no longer be sufficient for us to make it through 2020 without hitting deficit ending cash balances. We need to look at other options that show a larger cash balance at the end of the fiscal year and will carry us through the entire year to meet our obligations. We had originally expected a 38% increase in our insurance premiums or \$750,000, before changing brokers and insurance companies to get a 22% increase. *Dr. Hunt added that we are meeting with the health care committee and our broker to say this is how much we need to come off of our health care costs so how can we do this. This little district is at the top of the list for health care premium costs in the state. This is due to our experience over the last few years. We are discussing the changes needed and what can be done to help us to survive. Mr. McClain believes we have a much better chance of passing a levy if people see the increase in health care cost to school employees as they have seen in their work force world. Seeing that will make a difference in our community support. Dr. Hunt stated there are some problem areas and we are going to be looking at the policy to see what can be done to cut the cost of the premiums to save the district money next year. We are still looking at ways to get grant dollars or other support in the district as well. We have squeezed all of the blood out of the turnip. Unless there are changes at the state level we will continue to see less revenues as our costs continue to increase.*

New Money Options - Option 1 – is to do nothing and receive no new monies in 2017.

Option 2 – 3 mill new money operating levy – this will bring in about \$903,000 a year and give us positive ending cash balances through FY 2020.

Option 3 – 4 mill new money operating levy – this will bring in about \$1,204,000 a year and give us positive ending cash balances through FY 2020.

We will need no less than 3 mills of new operating monies to come in to enable us to meet our obligations and the known and unknown cost increases to come.

Replacement Levy at Current Values - Option 1 – is to do nothing and receive no new monies in 2017.

Option 2 – Replace the 1977 5.70 mill levy – this will bring in about \$1,715,700 a year at current values. It is currently collecting \$470,092 a year for an increase of \$1,245,608.

Option 3 – Replace the 1985 4.50 mill levy – this will bring in about \$1,354,500 a year at current values. It is currently collecting \$589,299 a year for an increase of \$765,201.

If we did the replacement levy or a new levy we would not need a permanent improvement levy as the 1 mill of inside millage will continue to stay in that fund to cover any permanent improvement repairs. *Dr. Hunt added we could move monies from the general fund to a capital fund to reserve monies needed for major repairs.* Ms. Knuckles clarified we could not move the money into a capital improvements fund without the proper resolution to do so but we could earmark money within the general fund by setting it aside for just those

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

purposes. We would also earmark money for technology and the bus leases and no longer pay for those items out of the PI fund. *Dr. Hunt said like we have been doing all along, we will shuffle the deck chairs to meet our needs as appropriate.* Ms. Knuckles said just need to make sure our chairs are on the right deck. *Mrs. Anderson said looking at the possibilities and knowing what our expense are and will be and knowing that our state monies are not going to increase, she personally feels the replacement of the 5.70 mill levy is our best option. It will take a lot of work on our part to educate the community. With either choice we are losing the homestead and rollback deduction, but this seems to give you more breathing room for the unknown.* Ms. Knuckles stated at the time she prepared the forecast we only knew what the phase out numbers were for 2016 and 2017 and not the remainder of the years. We do not know if there will be a five year phase our period or a shorter period. And we may not know that until the next biennium period. So that revenue source could be reduced substantially and eventually gone without a replacement and we need to be prepared to handle that loss in revenues.

Mrs. Anderson wondered, with looking at the replacement levy and then the renewal levy what the time frame would be for these, do we do one and then the other or do we do both at the same time. Dr. Hunt replied we would have to decide if we are going in August or November first. August would give us two opportunities to get new money for next year. Either election time would bring in new money for 2017 and that is what is important. *McClain suggested looking at the 5.70 mill levy in August and since you cannot put that one back on if it fails, put the 4.5 mill levy on in November. We can say ok, we hear that it was too much money and we are looking into this one. Then the following year we put on the renewal levy.* Ms. Knuckles reminded the group that if the 9.7 mill levy fails in 2017 it goes away altogether. *Mrs. Thomas commented the renewals have a high passing rate.* Mrs. Smallwood feels going in August would show the need is real and it is! *Ms. Knuckles added the new forecast will be completed by then, the new buzz word to use is cash flow, and we need to keep stating about the phase of the remainder of the RPP monies and the increases in health care premiums. Those are the three main reasons why we are struggling to operate right now.* Dr. Hunt stated a lot has changed in the last three months since the November elections. The strategy has changed since then but the needs are still there. *Mrs. Thomas feels it would be difficult to educate the people in time for the August election time frame.* Mr. Klima mentioned that Auburn is working with a gentleman who helps schools research levy information and run campaigns. He worked 12 levy campaigns in November and 11 of them passed. *Mrs. Thomas stated that type of help does not come cheap.* Mr. Klima said it cost \$650 for his help as he has connections to get grants and he does fundraisers to get campaign money. He may be worth a phone call. *Mrs. Anderson thinks it would be worth the time to hear him out. There is a lot of misinformation out there and it is hurting us in the community.* Mrs. Smallwood said Mrs. Thomas worked hard on the campaign but we are not professionals and there may be something he can say to help us along. *Mrs. Anderson feels it makes no sense to continue to short change ourselves and have to continue to go back over and over again to get money. A replacement levy at current values with proper education would be our best option.* Ms. Knuckles reminded them we are already collecting part of that value to the increase is not as bad as it seems. *Mr. Klima and Dr. Hunt will check into getting him to talk to us about our levy. The general consensus is for the 5.70 mill replacement levy as our best option for August, but additional discussion is still needed by the Board.*

Dr. Hunt stated we are looking at this as we have needs that have to be covered and how can we best cover those needs and continue to operate affectively providing the best education for our students that we can. Knowing what our future looks like we are responsible for asking for what we need to continue on. The need is real, the need is there. *Mrs. Thomas said people are going to ask where the money is going to come from to fix the buildings.* Ms. Knuckles replied we answered that earlier. The 1 mill of inside millage will continue in the PI fund to cover building upkeep and the technology portion of the PI funds and the bus lease will now come from the general fund monies. *Mrs. Thomas stated it can be used for anything.* Ms. Knuckles responded as said before the board can designate monies for a specific purpose within the general fund just like when the board voted to set aside \$150,000 at the beginning of each fiscal year to try to carry over into the next fiscal year. *Mrs. Thomas does not believe people will believe what we say.* Mrs. Anderson replied if you are looking at increased

**Cardinal Local School District
Work Session Meeting
February 3, 2016**

premiums that money cannot be taken out of the PI fund to meet those costs. Money has to go into our general fund as our operating costs are increasing beyond our revenues. We have no option but to increase our revenues in that fund to survive. *Mrs. Smallwood believes we need to give people credit and they will understand.* Dr. Hunt stated we did a good job before but now we need to improve our communications, set aside the distractors, and work on getting the information out there to the community. We can discuss these options at another meeting and then make a decision of which levy to go with for August. *Mr. McClain does not feel there should be a delay in passing a resolution to get the information from the county auditor. That needs to be passed at our next meeting and by then we can get some information together to decide which direction to go. We need to show the decrease in revenues and the increase in expenditures so people know where we are coming from.*

Adjournment:

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

Meeting adjourned at 8:01P.M.

Roll call vote: unanimous aye

Kenneth Klima, President

Merry Lou Knuckles, Treasurer