

**Cardinal Local School District
Special/Work Session Meeting
September 26, 2018**

The **Special/Work Session Meeting** of the Cardinal Board of Education held at 6:00 p.m. on September 26, 2018, was attended by Ken Klima, Wendy Anderson, Barb Rayburn, Linda Smallwood and Katie Thomas.

Discussion Item:

Five-Year Forecast – Ms. Knuckles shared a draft copy of the Five-Year Forecast with the Board and Superintendent for discussion purposes. The final report will be approved at the October 10, 2018 regular meeting. This is a draft report based on the best known information available at the time of compilation. Last year the power point discussion was on the Never-ending story. We did not want to be the “greatest story ever told” as we wanted to continue and grow. So here is the next chapter of our story. The District is required to paint a financial picture so the community and the state will know where we are currently operating and where we will be operating in the future. Our goal is still for financial stability for the District and quality education for our students. The Five-Year Forecast is a report mandated by state law and focused on the General Fund. It is completed by the Treasurer and approved by the Board twice a fiscal year in October and May. Basically, this is a tool to help districts plan for future goals, projects and potential deficits. The Five-Year Forecast is a look at the various budget components of the General Fund, the main operating fund of the District. A majority of the tax revenues received by the District are part of the General Fund. All other funds of the District have specific purposes.

Creating the Five-Year Forecast is not an exact science as the information is continually changing. Ms. Knuckles likens the Forecast to “The Jello Affect” – You can only hold so much in your hands with certainty. The budget, and therefore the Forecast, is a living document. At any time during the fiscal year, money can be received and money can be taken away from the main sources of revenue. This makes it challenging to maintain an accurate budget and to know with any certainty what monies will be available in the future. Forecast worksheets are prepared to bring all the required information together to analyze it and project out the necessary budgets for the next four fiscal years. Any known facts, changes, and cuts drive the forecast process. Starting with FY 2017, the school foundation amounts were based on the weekly ADM and the amounts would change with every settlement, so the revenue and expenditure amounts would also have to change to avoid overspending. This also includes the tax budget information, negotiated contracts, future goals and purchases, tax levies expiring, new tax levies needed, insurance premium increases/decreases, increases in specific expenditures such as special education services, phasing out of state revenues, and other such items. Assumptions are your best guesses at the time you are putting the Forecast together at what the next four fiscal years will hold for the District. Imagine having to determine what your household finances will look like in June 2019, June 2020 or June 2021. Impossible! BUT school districts have to do that twice a year!

The Office of School Finance will review the Forecast as submitted in October and May each year. Based on the information included on the Forecast and conclusions they have drawn, they will contact those districts they feel may run into financial stress in the near future. Their intention is let them know they are there to help. In FY 2017, we were sent a letter after our October 2016 filing to let us know we submitted a Forecast with deficit ending cash balances on the Forecast. These are the “Captain Obvious letters”. We put the report together and send it, so we know there are deficits on it. Since that time we have passed a 5.5 mill new money operating levy in May 2017 and passed our 9.7 mill renewal levy in November 2017, giving the District some breathing room to operate. The budget is reviewed regularly and discussions are held annually with the superintendent and treasurer regarding where we are and what is planned for the year. Today at 4 p.m. Dr. Hunt and Ms. Knuckles finally had time to sit down and review the Forecast and discuss future spending and needs. Budget reviews are also held with the administrators for the 009, 018 and 200 funds they have in their buildings.

Revenues received by the General Fund: Tax Revenues are 57.29% of the total budget. This is the largest source of revenues for the General Fund and due to the new levy this is the largest percentage of the budget in

**Cardinal Local School District
Special/Work Session Meeting
September 26, 2018**

quite some time. It is based on levies passed by the residents of our District and 3.5 of the 4.5 mills of inside millage. We have all continuing levies except the 9.7 mill levy that has to be renewed every five years. As we saw with our new levy, money voted on in one calendar year is not collected until the following calendar year.

Unrestricted State Grants-in-aid – 17.68% of budget. These revenues include the school foundation settlement paid twice a month.

Restricted State Grants-in-aid – 4.15% of budget. These revenues include certain special education payments from the school foundation settlement. Catastrophic cost reimbursements are applied for each year. For FY 2018, we submitted \$1,843,400 in special education costs for 30 students whose costs were above the threshold. Of that \$1,843,400, \$865,050 was subjected to the threshold amounts so only \$978,360 was considered for reimbursement. We received \$204,018 in Cat Cost Reimbursements or about 20.80% of allowable costs. This is down from last year as we had 35 students and received 23% reimbursement. When people say the state pays for special education costs, this shows that they only pay us for a small portion of the costs. Metzenbaum State Pass-thru monies and Medicaid Reimbursement Program payments are also included. Our FY 2016 audit was completed in May and we just received the reimbursement from that audit. FY 2017 is being worked on now.

Property tax allocation – 12.23% of budget. Tangible personal property tax loss value make-up payments are the largest source. The Governor's budget for FY 2016 and FY 2017 reinstated the phase out period for these revenues; a loss of over \$400,000 per year. There is no replacement revenue on the horizon. Homestead and rollback payments are received from the state. Property owners get a relief on their tax bills in the form of homestead and rollback deductions/credits for any levy passed prior to 2017.

Other revenues – 7.54% of budget. The largest portion of this revenue is for tuition paid by other districts for open enrollment – approx. \$533,000. We have 89 students from other districts attending Cardinal this year; down from FY 2018. Other revenues includes pay-to-participate fees, rentals, donations, and revenues that do not fit in any other category.

Transfers – 1.12% of budget. Each year the General Fund will need to transfer money from the main fund to the energy conservation debt payment special cost center and the bus lease special cost center for payment of principal and interest. This transfer “reserves” the money for payment purposes within the general fund. The corresponding transfer out is included in the expenditures. This fiscal year due to the receipt of the COP bond monies, we have decided to use the 1 mill of inside millage to pay the cost of the bus leases instead of the General Fund monies since the repairs and maintenance costs will be down with improvements being made or covered by the new bonds.

Expenditure Categories For The General Fund - Also known as appropriations (the budget) in the forecast.

Personal services – 41.41% of budget. These expenditures include salaries and wages for teachers, nurses, psychologists, speech, secretaries, classroom aides, custodians, mechanics, maintenance, bus and van drivers, bus aides, cashiers, technology, principals, superintendent, superintendent's secretary, treasurer, treasurer's assistant/payroll, accounts payable and board members. Also included are substitutes, supplementals, and severance/termination payments. We had a desk review of our title funds this past year and some of the teachers we were paying from the title funds no longer qualify to be paid there. We did some research as to who can be paid from title funds and will continue to pay one-half of the kindergarten teachers' salaries from title as the state requirement is only half-day not full-day kindergarten. This means those teachers previously paid from title funds are now being paid from the General Fund increasing our personnel costs. We were able to add new positions to the District to use the title fund such as our instructional coaches, elementary guidance counselor, gifted teacher, and stipends for teacher leaders. When our staff moved to these new positions we hired some new employees to fill those vacant positions.

**Cardinal Local School District
Special/Work Session Meeting
September 26, 2018**

Benefits – 21.779% of budget. STRS and SERS are 14% of salaries and wages. Medical (hospitalization and prescription) and dental insurances are through Medical Mutual with the Stark County Council of Governments consortium saving nearly \$300,000 on medical premiums for FY 2018 and forward. Medicare costs will increase as older employees retire and new employees are hired. The District qualified for group rating again for workers compensation. Last year our premiums started out at around \$28,000 but with the excess premium refunds and the refunds for attending the Geauga Safety Council, we ending up paying about \$295 for the year.

Purchased services – 26.15% of budget. Professional services are those services provided to the District by outside sources. The largest of these services is for special education needs outside of the regular classroom; nearly \$1,800,000 a year. Next is tuition paid to other districts/schools for open enrollment - \$563,350, community/online schools - \$292,495 and post-secondary education/CRO - \$60,385. This year the per pupil deduction from our foundation is \$6,020. This is still \$2,000 more than we get in our foundation settlement for our kids staying here. Utility costs should continue to see some relief due to the energy conservation project from 2012 and the new updates being made through the COP bond monies. Other services include property and vehicle insurance, legal, technical, training & repairs.

Materials and supplies – 2.11% of budget. These expenditures include office supplies, classroom materials, software and computer supplies, newspapers, maintenance and repair supplies, bus supplies, diesel and regular fuel and tires.

Capital outlay - .06% of budget. These expenditures include purchases of new and replacement equipment, vans and buses for the district. The District has entered into two lease agreements; one for 3 new buses and the other for 2 new buses. However, for FY 2018 the cost of these leases will be paid from the PI inside millage monies.

Other expenditures – 1.82% of budget. These expenditures include the various fees charged to the District from banks, the county ESC, the board of elections, the county auditor, the county treasurer and the state auditors for their services.

Debt payments – 6.14% of budget. The energy conservation project is being paid for by 0% interest QSCP bonds. The principal and interest payments for the COP bonds will be paid from the PI fund by transfers from the General Fund.

Transfers Out – 6.14% of budget. Each year the general fund has to transfer money to the food service fund to help with the operation of the cafeterias and to avoid a deficit cash balance at year-end. The corresponding transfer out within the general fund for the energy conservation debt payments is recorded here. The net effect is \$0. Money for the COP bonds will be transferred to the PI fund for payment; approximately \$400,000. The Board has agreed to hold \$150,000 in a Budget Reserve in efforts to carry that money over into the next fiscal year. This Forecast includes \$200,000 to \$250,000 in the reserve for each of the fiscal years included. Our hopes are to actually not spend that money and have it for future use when the TPP monies are eliminated completely.

What is our Story? The Forecast has to tell the story of the District's current operations and what the future holds for the District. We have 65 teachers (with half of kindergarten paid from grants), 2 speech teachers, 19.5 transportation drivers and aides, 1 mechanics, 8 custodians, 2 maintenance men, 2 nursing staff, 5 building secretaries, 7.5 paraprofessionals in the classrooms (2.5 paid from the GF and 5 paid from grants), 8 cafeteria workers, 4 education coaches (paid from grants), 3 guidance counselors (1 paid from grants), a gifted coordinator (paid from grants), a superintendent, 3 building principals, a special education/pupil services director, a treasurer, 3 psychologists, a treasurer's assistant/payroll & benefits, an accounts payable clerk, a superintendent secretary and 5 board members on staff this year. We serve 1,021 students this year; a decrease

**Cardinal Local School District
Special/Work Session Meeting
September 26, 2018**

of 41 as of the September ADM. We operate three school buildings, a bus garage and a board office. We have 16 buses in our fleet dating from 2000-2016 with mileage on some over 200,000 miles. We have 10 special education vans in our fleet dating from 2007-2017 with mileage on some over 100,000 miles. We also have a maintenance pickup truck, a sprinter van, an enclosed trailer, a flat-bed trailer and a Swiss cheese booth. We are providing a quality education to our students and we are seeing amazing support from our community for the District and our students. We have brought one-on-one technology to the classrooms, we offer online college credit courses as well as courses on college campuses, we have implemented a one-book-one-school program to encourage reading for all levels and we have a positive behavior program in our buildings as well. We are doing more with less and are seeing good things in our students regardless of what the State Report Card says. We are continuing to work to keep Cardinal in a financially stable position that will last more than one year at a time. Ms. Knuckles is very cautious when budgeting as it is easier to add to the budget then take it away if the amount of revenues or expenditures change for various reasons. We still need to be cautious and frugal with our purchases since we are losing the TPP money in a few years.

When we look at line 10.010 of the Forecast it shows our cash balance as of June 30th for this fiscal year at \$142,850. Sound fiscal management is to have an Unencumbered Cash Balance at the end of the fiscal year equal to one month's expenditures. Based on this current Forecast information we should be ending our fiscal year with \$1,223,631 – total expenditures divided by 12. If these figures hold somewhat true at June 30th we would actually be \$1,080,781 short of that recommendation.

In Conclusion – We have had the same major concerns for the last four years: State funding is a huge unknown factor for all school districts. With a new governor, funding for public schools can have significant changes depending on their stance with public education and what they determine the funding formula to be. The phase out of the TPP make-up payments will continue until the money is no longer received in 2021. The most important thing to remember is we cannot spend all of our money in the bank. We must have money set aside for the unknown increases or decreases in order to survive. Ms. Knuckles asked the Board to review the support documentation. If they have any questions please contact her prior to the October regular meeting.

This is a draft of the Forecast for discussion purposes only. The Forecast and Assumptions will be on the District website after the October 10th meeting when the Forecast will be officially approved.

Weather Incident – Dr. Hunt shared that on September 19th he was at a Lake/Geauga Superintendents' meeting at Auburn when the tornado alert sounded here at the District. When this happens you have to act. He was manning the communications from there and Dr. Sabol was handling things from here. Our administrators, teachers, bus drivers, secretaries and others all handled things great! At 2:25 pm the middle school students were getting ready to get on the buses when the lockdown was initiated; it lasted an hour. We had communications going out to the parents about the situation and the lockdown. *Mrs. Smallwood asked if we let the parents there for pick-up in our buildings.* Mrs. Thomas said a parent she knows told her someone at the middle school came out and got them out of the cars and into the building. *Mrs. Rayburn said that did not happen at the high school.* Dr. Hunt continued stating you prepare, you do your drills, and you deal with the possibility of an emergency every day. The staff did tremendously. They will be debriefing tomorrow at the administration meeting. We will be discussing the people in the parking lot, the chatter on radio, texts going out and other areas done well or those that need improvement. He is proud of our staff and how it was handled. We will learn from this and will make the necessary adjustments.

State Report Card, ODE Site Overview – Dr. Hunt shared the latest State Report Card and reviewed the ODE Site where the information is housed. We received a C as a District; the middle of the bell curve along with over 400 schools in the state. On the website click on the quality profile and view the report for Cardinal. This will outline what is happening at the District that is not reflected in the Report Card grades. This is the first year

**Cardinal Local School District
Special/Work Session Meeting
September 26, 2018**

for a component grade for everything. For the District as a whole we received a D for Achievement. We did not meet the state indicators on the state tests. We need to focus on aligning with state standards. Ms. Knuckles talked about the title money we used to hire instructional coaches to put together instruction around how to align to get the results on the tests needed to improve the grades. If you hover over the levels you can get a breakdown of the performance levels. We got a D for Progress. This looks at whether you are getting a years' worth of growth in our students. Gifted students and students with disabilities subgroups received C's. Gap Closing was a B based on annual measurable objectives and how we are meeting performance goals. You can get more detail by subgroup by hovering and clicking on the buttons. The Graduation Rate was an A, we got A's on both the four year and five year components. Improving At risk K-3 readers we got a D. People look at this and say "your kids can't read". However, this is about the students who were at risk in one year and how much movement or improvement they had over the year. It is not a measurement of if they can read. 98.1% of third graders met the reading guarantee. Two students did not move on to fourth grade this year. Prepared for Success we got a D. This is based on the ACT/SAT testing, bonus points for higher grades, tracking of graduate ready items and tracking college ready rates.

You can view the information by school buildings:

<u>Building</u>	<u>Overall</u>	<u>Achieve</u>	<u>Progress</u>	<u>GAP Closing</u>	<u>Improve At Risk</u>	<u>Grad Rate</u>	<u>Prepared For Success</u>
Elementary	C	C	D	A	D	N/R	N/R
High School	C	D	B	D	N/R	A	D
Middle School	C	D	B	B	N/R	N/R	N/R

Dr. Hunt asked "so what are we doing?" We are looking at this data and know we need a greater focus on achievement. We have to work on alignment to the testing standards. They are talking about changes to the report so we shall see what changes will be made to the report card program especially with a new governor. When you look at the data, it does not reflect all the good stuff happening here in the District.

Superintendent's Report

Action Items:

Human Resources/Personnel

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

- A. FMLA
 - Nancy Southern, Paraprofessional, effective September 25-September 30, 2018
 - Sharon Stotts, MS Teacher, effective October 24 for 2-4 weeks
- B. Substitute
 - Rhonda Hostetler, bus driver, pending completion of paperwork and re-certification
- C. Supplemental Contract 2018-19 School Year
 - Luke Kruse, Teacher Leader, CHS Social Studies, .03 (paid from title funds)

**Cardinal Local School District
Special/Work Session Meeting
September 26, 2018**

Roll call vote:

Wendy Anderson, aye Barb Rayburn, aye Linda Smallwood, aye Katie Thomas, aye Ken Klima, aye

Overnight Camp

Mrs. Thomas moved and Mrs. Anderson seconded a motion to approve an overnight camp for the CMS Student Leadership Team at Camp Burton on September 20, 2018.

Mr. Klima asked what happened that we did not approve this beforehand. Dr. Hunt stated he talked with Mr. Cardinal about attending this youth leadership group outing, but he did not get the memo prior to them going. It has been discussed in regards to proper timing.

Roll call vote:

Ken Klima, aye Wendy Anderson, aye Barb Rayburn, aye Linda Smallwood, aye Katie Thomas, aye

Service Agreement

Mr. Klima moved and Mrs. Anderson seconded a motion to approve a service agreement with Mentor CARES for one student for the 2018-19 school year.

Mrs. Smallwood asked what Mentor Cares is. Dr. Hunt replied a special education program for one of our students.

Roll call vote:

Wendy Anderson, aye Barb Rayburn, aye Linda Smallwood, aye Katie Thomas, aye Ken Klima, aye

Treasurer's Report

New Fund

Mrs. Anderson moved and Mrs. Thomas seconded a motion to approve the Debate/Speech Club fund as follows, budget to be determined later.

Revenue Account	200-1620-907D-001
Expenditure Account	200-4670-890-907D-001

Roll call vote:

Ken Klima, aye Wendy Anderson, aye Katie Thomas, aye Linda Smallwood, aye Barb Rayburn, aye

Executive Session:

Mrs. Thomas moved and Mrs. Anderson seconded a motion for the Cardinal Local Schools Board of Education to recess into executive session for the purpose of employee evaluations. Upon conclusion of this executive session, the Governing Board President will gavel the Governing Board back into open session at this location. All matters discussed in all executive sessions are designated to the public officials and employees as confidential pursuant to R.C. 102.03(B) because of the status of the proceedings and/or the circumstances under which the information will be received, and preserving its confidentiality is necessary to the proper conduct of government business.

**Cardinal Local School District
Special/Work Session Meeting
September 26, 2018**

Motion Approved at 7:08 P.M.

Time Retired: 7:10 P.M.

Time Returned from Executive Session 8:37 P.M.

Roll call vote:

Ken Klima, aye Wendy Anderson, aye Barb Rayburn, aye Linda Smallwood, aye Katie Thomas, aye

Adjournment:

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

Meeting adjourned at 8:37 P.M.

Roll call vote: unanimous yes.

Kenneth Klima, President

Merry Lou Knuckles, Treasurer