

Arapahoe Public School  
Board of Education – Special Meeting (Budget Workshop)  
School Library  
August 22, 2017 6:00 pm

President Dennis Roskop called the meeting to order at 6:04 pm.

President Dennis Roskop announced that the Arapahoe Board of Education follows the rules of the Open Meetings Act which is posted.

The following members were present: Dan Warner, Chad Carpenter, Rod Whipple, Dennis Roskop, Brad Schutz, and Lisa Anderson.

The following member(s) were absent: None.

Also present was Dr. George Griffith, Superintendent and Cassie Hilker, Board Secretary. Visitors were present.

A motion was made by Whipple and seconded by Warner to approve the agenda as presented. AYES: Carpenter, Whipple, Roskop, Schutz, Anderson, and Warner. Motion carried 6-0.

President Roskop welcomed the visitors and asked for Public Comment. None.

### **ACTION ITEMS**

Griffith stated that he did some checking on the motion made last week for the Arapahoe Paper. There are only two things that we need a vote of four for and one of those is finance and the other is not renewing a tenured teacher. However, there is one exception for someone that is abstaining due to a conflict of interest. We would have been fine last week. It is a new law to me. Cassie visited with the State Director of Finance and the auditor and one thing we found out was that we cannot pay any additional money towards the bond until after five years. Any money we have left over from the bond, we need to use in some manner. Since that is the case, we reversed any expenses that were paid out of the general fund and building fund towards the construction project. We also reversed the transfer to the lunch fund based on my recommendation. What that did do was change our ending balances and with that change in balances it allowed us to drop the tax asking amount. That is the reason for some of the claims presented tonight. We cannot pay a bond payment out of the building fund either; it has to come out of the bond fund. Schutz asked if that included interest. Griffith confirmed even interest could not be paid out of the building fund. Schutz asked if we transferred \$100,000 to the lunch fund at our last meeting. Griffith confirmed that a transfer of \$100,000 to the lunch fund was approved at the last meeting. Schutz asked if Griffith was recommending we reverse that transfer. Griffith confirmed that he is recommending we reverse that transfer. This increases our ending balance by \$100,000 and allows us to decrease our tax asking by \$100,000. Schutz asked if the equipment for the kitchen can now be paid for out of the bond money. Griffith confirmed that the kitchen equipment can be paid out of the bond money. The recommendation was to use all of the bond money first since we can't pay extra towards the bond for five years. Doug Schutz asked how much money is in the bond fund. Cassie Hilker stated that the bond money balance as of today is \$11,483,000. We have spent \$1,067,057. A motion was made by Schutz and seconded by Anderson to approve claims from the General Fund, Lunch Fund and Building Fund totaling \$273,413.29. AYES: Whipple, Roskop, Schutz, Anderson, Warner, and Carpenter. Motion carried 6-0.

### **DISCUSSION ITEMS**

Griffith presented a draft of the 2017-18 budget. One item that was discussed during the Finance Committee meeting was what level of cash reserve we want to maintain. Last year we had a cash reserve of \$1.2 million. It was discussed that in order to decrease the tax asking amount, we could decrease the cash reserve amount to \$600,000. Nothing was budgeted for the building fund because we are planning to use the bond money. We will also use the depreciation fund when necessary. We maintained our budget level for the general fund as recommended by the state, which is to use our budget authority. We looked at decreasing expenses in the general fund and using some of the cash reserve to move forward, however that would result in a significant tax increase next year. We are trying to keep things as level as we can. We maintain the \$600,000 in the cash reserve instead of moving it to expenses. This level can be adjusted based on the board's recommendation. We did look at a \$300,000 cash reserve. We adjusted some of the expenditures to be closer to what will actually be spent. We have to maximize the special education expenditure, but that does not do much as far as affecting tax asking because a lot of that comes from the state. The high level in the building and maintenance expenditure is \$522,000 and we spent considerably less than that. We used that line to balance out the worksheet while maintaining our full budget authority. We received a certified notice that we will be getting \$83,000 in state aid. There are certain items that we cannot enter in as revenue, such as tax exemption, personal tax credits, etc. With the changes in the fund ending balances and other adjustments made, the general fund levy would be \$0.585364 and the bond fund levy

would be \$0.119441. Doug Schutz asked what the balance was in the general fund. Cassie Hilker stated that the balance in the general fund is approximately \$1.9 million. Doug Schutz asked where the \$1.5 million is coming from that was to be designated for the building project. Griffith stated that those funds were going to come from the general fund, depreciation fund and building fund. Doug Schutz asked how much is in the depreciation fund. Cassie Hilker stated that there is a balance of approximately \$382,500 in the equipment depreciation fund. Doug Schutz asked if we were going to keep \$1.5 million plus the \$600,000. Griffith stated that we will have an extra \$1 million of the bond money and we will use that and decrease the cash reserve. Brad Schutz stated that originally the project was proposed at \$14 million with \$1.5 million coming from the school. Doug Schutz stated that was always misleading because there is close to \$5 million dollars of interest. Brad Schutz stated that after the bids have come in for the project and the Guaranteed Maximum Price was set, it is looking like the project can be done for around \$13 million. Griffith stated that is why we are cutting the cash reserve. Brad Schutz stated that the lower cost will affect interest and as Griffith stated we cannot prepay on the bond for five years. So, we don't have that fear of spending another million dollars like we did six months ago. Griffith stated that we have made about \$29,000 in interest on that bond money. Doug Schutz asked what the interest rate was for the bonds. Roskop thought the average rate was 3.75%, but really isn't sure. The bonds were sold in two different sells. Brad Schutz stated that the tax asking is somewhat under the amount that was asked for last year. Griffith stated that if we maintained the same tax asking as last year with today's valuations, our levy would be up about \$0.03. We raised \$3,161,130 last year and we are asking for \$2,953,578 this year. Brad Schutz stated that he would like to have some discussion about knowing what we know now about the cost of the project, what we have in current reserves and what our valuations are, he would like to see us provide more property tax relief and lower the tax asking to get to \$500,000 less than last year. With the budget from the finance committee meeting it would bring us to around \$0.52 and a cash reserve of \$200,000. Anderson stated that she researched the cash reserve amounts for the last ten years. The last two years we were at \$1.2 million, 2014-15 was \$813,000, 2013-14 was \$326,000 and for several years before that it was \$750,000. So that \$200,000 cash reserve amount would be a historical low. Brad Schutz stated that after looking at what was actually spent over the last two years compared to budget has been \$1 million each year. So, we have more than the \$1.2 million built into the budget. He saw that Griffith has decreased some of the expenses. He thinks we need to be looking more at what we are actually spending and ask for those dollars to cover that. And not just be looking at a \$5 million budget every year and increasing it just because we have the budget authority to do so. Warner asked how that would play out with the timing of tax money coming in and our expenses running around \$400,000 each month. He doesn't disagree with Schutz at all. Prior to this bond, we were in a position to build reserves in case we needed to fix things and address issues. With this bond, we will be looking at very few issues. He doesn't want to get us in a situation from a revenue standpoint, but he doesn't think we need 6 months in reserve. But, he doesn't want us to run short either. Anderson stated that according to Cassie Hilker's figure, in 2011-12 the property tax asking for the general fund was \$2,279,529. We would be asking for about \$700 more, but when you look down at state aid we were getting \$514,000. It is upsetting that the local property taxes have to make up for that. We are dropping back to those amounts, but we aren't getting the state aid amounts we were getting then. That kind of scares me. Warner stated that we can probably operate on that because we already have the cash reserve. We have some room in there for at least one year to work off of what we already have. Anderson asked if our unused budget authority is good for five years. Griffith stated that it actually carries on and you can access 2% each year. Of course, it also depends on the legislature. Brad Schutz state that if we set the levy at \$0.52, it would generate \$2,623,771. Anderson stated that she would drop another \$300,000, but that is the most she would want to go. Griffith stated that currently we have \$1,583,500 in the general fund CD and \$192,000 in the general fund cash account. Roskop asked Cassie Hilker if she had the actual expenditures for 2014-15. She provided the requested information to Roskop and the rest of the board. Schutz asked if the 2016-17 figures included the transfers from tonight. Hilker stated that it reflects everything through today including the transfers. Griffith stated that the actual average coupon rate for the bond was 3.19%. Roskop asked if that was for both bond sales. Griffith stated that it is the combination of both sales. Griffith stated that the rate was 2.88% on the first bond sale and 3.74% on the second sale of bonds. Anderson asked if the board was willing to set the levy at \$0.52. Griffith stated that the levy of \$0.48 was with a \$200,000 cash reserve. A \$300,000 cash reserve results in a levy of \$0.485269. The only thing Griffith would be uncomfortable with is not using the full budget authority. He would recommend lowering the cash reserve to \$300,000. This would carry over and we could use it next year to offset any valuation decreases. The less we carry over the higher the taxes the following year to meet budget authority. The total levy (general fund and bond fund) would be \$0.604710 with a \$300,000 cash reserve. Total tax request would be \$2,448,527 and \$663,000 is on the bond fund. This would be a \$0.13 decrease from last year. Anderson questioned the figures. The figure of \$2,448,527 was just the tax request for the general fund. Griffith stated that based on his experience he would recommend the \$300,000 cash reserve. Anderson asked if we were voting tonight. Griffith stated that this is just discussion, but he does need have some direction to know what to publish in the newspaper. Schutz asked about the budgeted figure for special education. Griffith stated that we have budgeted \$908,000 and the reason for that is to cover us if we get a student with high needs. Schutz stated that we had been running in the \$600,000 range the last two years. Griffith stated that with the decreases in special education expenditures, we made maintenance of effort this year by only taking a portion of what the fed's give us. That unused amount carries over to this year and it is about \$100,000. We need to make sure we meet maintenance of effort with all of that money or we will lose federal money. Schutz was just curious about the reason for an almost \$300,000 increase on that line item. Griffith stated that it does have an effect on the levy, but say for example we get a blind student that money will go pretty quickly to convert books from print to brail. Approximately \$260,000 of special

education expenditures are offset by federal aid. The total tax asking amount would be \$3,051,190 and the total levy would be \$0.604710. Anderson is still questioning the figures. Griffith ran the numbers again. Griffith discovered a flaw in the information he provided and apologized. The information should have shown a general fund tax request amount of \$2,751,557 and a tax levy of \$0.545326 with a \$600,000 cash reserve. Jerry Hoffman asked what the taxed valuation total was from the counties. Griffith stated it was \$504,571,421. It is around a 3% decrease from last year. Roskop stated that if we take the expenditures in the general fund of \$4,357,454 and subtract the tax asking amount of \$2,448,527, which is the scenario with the \$300,000 cash reserve, our total shortfall is \$1.9 million dollars. There is other revenue that comes in and our current general fund balance is \$2.7 million dollars. We are dropping our general fund down to \$800,000 total in cash. Schutz stated that is only if we get zero revenue from any other state agency, such as special education, state aid, and grants. Roskop agreed. Schutz stated that he doesn't think we will use it all up in one year. Carpenter stated that is only if everything stays the same. Schutz stated that he is still confused on the \$2.7 million. Griffith stated that is what the tax asking should have shown on the budget sheets that were handed out tonight for the general fund, which was a budget with a \$600,000 cash reserve. Warner stated that our ending balances are showing a balance of \$2,972,200 and asked if we still have an obligation to put forth \$1.5 million to the building project. Griffith stated that we can use the \$1 million left over from the bond money, which is why he feels comfortable decreasing the cash reserve. Whipple asked how much money would be left in reserve with this proposal. Griffith calculated that if he took the 16-17 disbursement amount of \$4,357,453 and deducted the tax asking amount for the coming year, that difference is \$1,391,000. Schutz went back to Roskop's statement about using \$1.9 million of reserve and stated that when you take the receipt amount for the 16-17 year of \$4,170,000 and deduct that year's tax asking amount of \$3,161,000 that is a difference of around \$1 million. He asked if that money is a combination of federal program money and other receipts. Griffith agreed. Schutz stated that is if everything stays the same. Roskop asked is concerned about counting on \$246,000 of property tax credit and \$317,000 of special education dollars. He is concerned with counting on funds that are out of our control and lowering the cash reserve too low. He is concerned with getting into a position where we would have to borrow money. He doesn't want to get to a point where we are on the other end of the spectrum. Schutz doesn't disagree and stated that the only concern he has is when you look at our balances and the way they have went the last three or four years. He would rather have the taxpayers keep their million dollars than the District sit on the million dollars getting 1% interest. And we have the ability, if we have to next year, raise the tax levy to generate monies because we are nowhere close to a lid. Roskop stated that we would have a harder time with the state limiting how much we can ask for than getting to the \$1.05 lid. Schutz stated that would be only if they change the rules. Roskop agreed. Schutz stated that hypothetically if the state comes in and caps our levy at \$0.50 the state would have to come up with something to take care of the shortfall. Roskop stated that is possible or overrides would have to be done. Griffith stated that he is concerned about Rickett's using the same model as Kansas. Whipple asked about the cost per pupil. Cassie Hilker shared historical student number counts with the board. Jerry Hoffman asked where the option in students are coming from. Roskop stated that the majority are coming from the Southern Valley District. Cassie Hilker stated that some are coming from Edison as well. Hoffman asked if they thought there would be a dramatic change in students opting in or out. Griffith stated that the information displayed is current for this year. Craig Hilker stated that it is a little deceiving because last year is what you ended up with and this year is what you started out with. Roskop agreed that are more at the beginning of the year. Griffith stated that the best numbers to go off of are what is reported in October. Roskop stated that comparing our cost per pupil to the state average cost per pupil, it is not a fair comparison. There is a huge difference in the cost per pupil when comparing rural districts to metropolitan districts. If we were compared to rural districts we are at average or below average. Griffith prepared an article last year and learned that 75% of students go to 5% of our districts and 95% of the remaining go to rural districts. Schutz asked if bond amounts were included in the cost per pupil figures. Cassie Hilker stated that they were. Craig Hilker clarified that Arapahoe's figure is shown without a bond and the other districts with bonds. Cassie Hilker agreed. Roskop stated that Cambridge and Alma don't have bonds. Cassie Hilker thought Cambridge had a bond last year. Griffith stated that 70% of the students are in 10% of the districts. The total bond payment is \$888,000, but we have around \$250,000 in the account now. We are not budgeting for any cash reserve in that fund; we will just cover it year to year as needed. There is a schedule that breaks down the principal and interest for the bond payment. Cassie Hilker stated that our current PK-12 count is at 358. Jerry Hoffman asked what levy level requires a vote. The response was \$1.05. Arapahoe and Cambridge were running pretty close until last year. Roskop stated that Cambridge still receives over \$500,000 in state aid. Hoffman was looking at the tax levy. Marv Briegel asked why Cambridge receives that much more state aid. Warner stated that out of district students going that way is part of it. Griffith added that there was an adjustment to the formula as well. Hoffman asked if the state aid is for sure. Griffith stated that it came certified. Roskop stated that you can look up everyone's state aid and Cambridge is over \$550,000 and we are at \$83,000. And the year before they were well over a million. Hoffman new some of that money is coming because it is considered an isolated district. Roskop stated that the state aid formula is from a bill that was passed back in 1988 and it is still the same. Griffith stated that state aid is based on our fall membership, which was 312 students. Option students are part of the formula. There is a distance education allowance. It is compared to the average local effort rate. It looks like the higher your levy, the more you get. He will double check on it and report back. Schutz stated that if there isn't the ability to generate enough local tax dollars to educate your general population you get state aid. Cambridge valuation base is much less than Arapahoe's. Hoffman agreed that the enrollment of the school versus the tax valuation of the district is where that comes in. Schutz stated that in the mid-90's the magic number for option kids was \$6,500 and it looks like that has almost doubled. Roskop stated that we need to give Griffith a

recommendation of what to publish in the paper without taking a vote. Whipple and Warner asked if we went to a \$300,000 cash reserve how many months of operating capital would that allow us. Griffith stated that based upon what we currently have in CDs and cash in the general fund plus the \$300,000 cash reserve that leaves \$1,583,000 divided by our average monthly expenditures, we can operate a little over 4 months. Warner stated that in light of where our facilities will be, he is pretty comfortable with that. Cassie Hilker stated that there is still money in the equipment depreciation fund that can be used if equipment needs replaced. Whipple asked about the GMP being set at \$10.6 million at the last meeting. Griffith stated that the contingency fee was lowered and other bids came in lower than previously expected. Griffith asked if the cash reserve at \$300,000 is the general consensus. The board agreed to publish the budget with the \$300,000 cash reserve.

Griffith asked if anyone is interested in attending the Labor Relations Conference on September 6<sup>th</sup> and 7<sup>th</sup> to contact Cassie.

Marv Briegel wanted to compliment the school and the school board for sending all of the kids up to Oconto to view the solar eclipse. Griffith stated that Dan Schaben handled getting the glasses and organizing it all. He has a lot of respect for him and thanks him a lot.

Griffith stated that the Area Membership Meeting is August 31<sup>st</sup> and asked if anyone would like to attend to contact him or Cassie. He is planning to cook hamburgers for the construction workers that day as well.

Budget Hearing, Monday, September 11<sup>th</sup>, 2017 at 6:30 pm in the Arapahoe-Holbrook Public School Library.

Tax Request, Monday, September 11<sup>th</sup>, 2017 at 6:45 pm in the Arapahoe-Holbrook Public School Library.

Regular Board Meeting, Monday, September 11<sup>th</sup>, 2017 at 7:00 pm in the Arapahoe-Holbrook Public School Library.

A motion was made by Carpenter and seconded by Whipple to adjourn the meeting at 7:49 pm.

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Respectfully submitted,  
Cassie Hilker, Board Secretary