

Arapahoe-Holbrook Public School  
Board of Education – Special Meeting (Budget Hearing)  
School Library  
September 11, 2017 6:30 pm

President Dennis Roskop called the hearing to order at 6:37 pm.

Roskop stated that the purpose of tonight's hearing is to discuss, consider and receive input on the 2017-2018 school district budget.

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, Dennis Roskop, Brad Schutz, and Lisa Anderson. Rod Whipple arrived at 6:52 pm.

The following member(s) were absent: None.

Also present was Dr. George Griffith, Superintendent, and Cassie Hilker, Board Secretary. Principal, Bob Braithwait arrived at 6:44 pm. Visitors were present.

A motion was made by Carpenter and seconded by Anderson to approve the agenda as presented. AYES: Carpenter, Roskop, Schutz, Anderson, and Warner. Motion carried 5-0.

## **DISCUSSION ITEMS**

Roskop opened the hearing to discuss the 2017-2018 district budget and turned it over to Dr. Griffith. Griffith provided the board and visitors with the following documentation: 1) a copy of the published budget with a \$300,000 cash reserve in the general fund, \$100,000 cash reserve in the bond fund and not spending the full budget authority, general fund tax request \$2,448,527.25, general fund levy \$0.485269, general fund budgeted disbursements \$5,443,539.33, bond fund tax request \$706,673.15, bond fund levy \$0.139460, bond fund budgeted disbursements \$891,057.73, total tax request \$3,152,200.40, total levy \$0.624729; 2) a copy of a budget with a \$300,000 cash reserve in the general fund, \$0 cash reserve in the bond fund and spending the full budget authority as recommended by the state, general fund tax request \$2,682,213.10, general fund levy \$0.531582, general fund budgeted disbursements \$5,648,540.33, bond fund tax request \$602,663.05, bond fund levy \$0.119441, bond fund budgeted disbursements \$891,057.73, total tax request \$3,284,876.15, total levy \$0.651023; 3) a copy of a budget with a \$600,000 cash reserve in the general fund, \$0 cash reserve in the bond fund and spending the full budget authority as recommended by the state, general fund tax request \$2,980,192.90, general fund levy \$0.590638, general fund budgeted disbursements \$5,648,540.33, bond fund tax request \$602,663.05, bond fund levy \$0.119441, bond fund budgeted disbursements \$890,000.00, total tax request \$3,582,855.95, total levy \$0.710079. If we maintain a cash reserve of \$1.2 million the total levy would be over \$0.83. Todd Watson stated that from what was published in the paper to what was handed out the tax asking is \$200,000 more. Griffith agreed. Watson asked what the reason for that was. Griffith stated that when he was maneuvering numbers around at the budget workshop some numbers got changed that resulted in us not using the full budget authority which the state strongly urges that we maintain. Anderson was wondering about that because she had written \$0.52 and then it came out in the paper as \$0.48. Schutz stated that there was also \$100,000 cash reserve in the bond fund that was published. Griffith agreed and stated that has been taken out of the information handed out tonight. Watson asked what the reason was for the reserve in the bond fund. Griffith stated that there was some concern about having enough funds available to make a payment in December. After doing some calculations, I believe we will have enough in the account to make the December payment without the \$100,000 cash reserve. Anderson stated that the next payment is in December. Griffith stated that the bond payment in December is \$530,000 in principal and \$175,000-\$200,000 in interest. Our first interest payment was \$116,355 and that was for the first issuance of bonds. The payment in December is for all bonds. Watson stated that a \$300,000 cash reserve is \$0.65 and a \$600,000 cash reserve is \$0.71, so it's about \$0.06 for \$300,000. Schutz stated that valuations are around \$504 million. Griffith stated that valuations decreased approximately 3.54%. Watson stated that if you went to a \$900,000 cash reserve the levy would be around \$0.77. Watson stated that based on today's valuations we asked for \$0.76 a year ago. Griffith agreed. Watson stated that the budget is being slashed by \$0.12 if they go to the \$300,000 cash reserve. To retain a cash reserve of \$1.2 million the levy would be raised by \$0.07. Griffith agreed. Watson asked how they are proposing to make up the difference next year if they are planning to slash the budget this year. He asked what kind of a price tag it would take next year if valuations go down 5%. It appears we are on a down cycle. In order to maintain the budget at the same the levy would have to go up. Griffith stated a minimum of \$0.03 if valuations go down 3%, 5% would be around a nickel. Watson asked what if it's a dime and stated that is also if the cash reserve is maintained at \$300,000. Griffith stated that it also depends on the balances in the funds at the end of the year. Watson agreed. He went on to state that by lowering the levy and the tax

asking this year by a significant amount, in the middle of a project that may or may not need extra money outside of your building fund depending on what happens as they dig or start remodeling the elementary, and by not having a very big necessary cash reserve it will deplete how much money is carried over next year. Griffith agreed that it will deplete the amount of money carried over next year. Watson stated that next year the levy will be increased more than a nickel, maybe \$0.10 or \$0.12 or \$0.15 in order to even maintain a decent operating budget. Griffith stated that from his crystal ball he would have to say yes. Watson stated that he doesn't know that yo-yoing the tax asking is good business practice. We all don't want to pay taxes or pay more taxes, but we are already the lowest tax base in several counties. The board has done their due diligence in keeping the tax rates low. The people voted on a bond that was in addition to the operating budget and they appeared to say that they were willing to pay that extra money and not lower it. He doesn't know that it's good practice to lower it so far that you are asking to jack it up even more than you are lowering it this year to get by next year. Craig Hilker stated that we don't really know if we will have to jack it up next year. They could run a really good business and save money and still have some cash reserve instead of always giving people what they want. If we watch the budget a little closer maybe we can get by and not have to ask for as much again. Watson stated that is what they always hope for, but he doesn't think they are running a bad business now. Hilker stated that he doesn't think they are either and he thinks they are doing a great job by trying to lower it. Watson stated that he thinks they are trying to lower it too far. Terry Haussler asked about the activities account. He asked how it has been running around \$165,000 and now it is \$303,000. Griffith stated that part of it is the beginning balance and a lot of that money comes in outside of the school for athletics. A lot of those funds we have little control over because they are student club accounts. In reality, the activities cost the school district \$35,000. He can see it being less because we moved some stuff around to be sure that the educational items are in the general fund and the activity items are in the activities fund. Basically, due to what we are carrying over and us having to show that we are spending all of it is why the budget looks high. We have transferred the same amount the last couple of years. Griffith can't explain exactly why it's that much more. Haussler stated that it looks ridiculous and asked if it's going to be the same next year, since they asked for it this year. Roskop stated that those funds are not collected through tax asking. As an example, the FFA account is a fund in the activities fund. Hilker asked if it is all of the activities. Roskop agreed. What we asked for in the general fund tax asking and the amount transferred to the activities fund was \$35,000 and we have been at that amount for the last 3-4 years. These funds are not taxed dollars, outside of the \$35,000 that is transferred. It is money from fundraising done by the kids. Griffith stated that there is almost \$123,000 carried over from last year and we are estimating that we will bring in \$21,000 more than last year. Gate receipts may be lower because we have switched some games to away instead of home. Watson stated that the balance carried forward in the bond fund is \$218,000 and asked if they anticipate the receipts in September to be enough to make the bond payment, without asking for \$100,000 in cash reserve. Griffith agreed. Schutz asked if he could address a couple items. He stated that we are not really slashing the budget by \$0.12; our budget is actually going up by around \$200,000. He knows it looks like we are going from a \$1.2 million cash reserve to a \$300,000 cash reserve. We also have to realize that our general fund cash balance as of 8/31 is \$2 million, just in the general fund. We talked about shooting for a goal of a 3-month cash reserve, which is around \$1 million. It's like we have to over-compensate the cash reserve dollars to utilize some of the \$2 million we are sitting on. It gets a little bit skewed. Watson stated that he could see where we could operate in this one year budget, but the supply will be depleted. Schutz stated that his goal would be to see that down to a 3-month supply in cash reserve. As time goes on, the bond payment is going to be around \$860,000 per year. Griffith stated that it is currently at \$888,000. Schutz stated that we are only asking for \$602,000 because of what we are carrying over. So our levy will go up even more for that too. Cheryl and Rube Ahrens asked why they would want to lower the cash reserve from a 6 month to a 3 month when the state recommends 5-6 months. Schutz stated that he hears people would like tax relief. Rube asked what the state recommends. Schutz stated that we don't get state aid anymore and it all started then to act as a buffer. We are not relying on the state; we are relying on local property taxes. Griffith stated that we are budgeted to get \$83,000 in state aid this year. There are some items we are not allowed to budget for that we may get. Last year we received around \$246,000 in property tax credit and we are not allowed to budget anything for that in this year's budget. Another example is the homestead exemption. We are to receive \$83,000 in state aid but we are not showing to get any in state apportionment and we got \$43,000. It is a net gain of about \$40,000. Another item we have is the federal dollars for IDEA for special education. We weren't able to get all of the federal money because of the reduced expenditures in special education. Those dollars are based on a maintenance of effort calculation. We have to spend at least \$1 more from year to year to maintain receiving the federal aid. We have what was carried over from last year along with this years and it is approximately \$175,000. With the changes we have made in staffing and using an internal person to fill the open position, our costs will go down again in special education. That will cost us around \$150,000 in federal money that we won't be able to get. Those are some of the uncertain items in the budget as we move forward. He spoke with some superintendents at the conference last week and the state director and based on those that have had a bond going on they are recommending not to cut the budget too much in one year due to the unforeseen items that can come up during a construction project. He has run into some of those items already, such as asbestos removal. The additional money for insurance and it only runs through August. With the project running over a couple months, there will probably be additional costs for that. Another item that should be covered in the GMP, but they were planning on just removing a foot and backfilling for the area under the padding. It looks like they are going to have to go down 5 feet and remove all of the old foundations before they can backfill. These are just some examples of unforeseen items. Haussler would like to back up what Schutz is saying about the landowners looking for tax relief. We spend 88% on this budget to keep this school

going. Either that or the people in town that are using this school system need to spend more than \$100 a month to send their whole family here. That is not fair. They are not even spending  $\frac{1}{4}$  of the cost of daycare and the landowners are paying for it. Griffith agreed that the way the tax schedule is set up is not fair. Haussler stated that with \$3.00 corn it is not going to work. Griffith stated that he has been following that and it isn't looking like it's going to get any better. Cheryl Ahrens stated that is something landowners need to take up with their senators. Haussler stated that the school board needs to control their spending. Cheryl stated that she thinks they are doing a very good job with the spending. Haussler stated that they are never going to get anything done with the senators. It has to start at the local level. Cheryl asked what he would suggest, cutting all of the services that the school offers. The school board association recommends a 5-6 month spending and the \$1.2 million that is in reserve is not out of line to have in a school budget. That covers many of the things that Griffith has talked about. She went on to state that they pay just as much taxes as Haussler does for what they own. Haussler asked Cheryl if she thinks it is fair when it costs \$17,000 per student to come here and they spend \$1,400 in total tax to this school. Cheryl stated that is not for her to answer, that is for the senators to answer. That is the way the system is set up. Haussler asked again if she thinks it is fair. Cheryl would not say if it is fair or not. Roskop asked Haussler and Cheryl to please direct their comments and questions to the board and not each other. He appreciates all comments, but would like them directed to the board. Roskop asked to close this meeting.

A motion was made by Warner and seconded by Carpenter to adjourn the meeting at 7:10 pm.

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Respectfully submitted,  
Cassie Hilker, Board Secretary