

**MINUTES OF MEETING OF BOARD OF SCHOOL TRUSTEES
OF
CLAY COMMUNITY SCHOOLS**

A Special Session of the Clay Community Schools Board of Trustees was held at North Clay Middle School, 3450 West State Road 340, Brazil, IN 47834, on Monday, September 13, 2010. Jennifer Kaelber, Tina Heffner, Forrest Buell, Ron Scherb, and Amy Burke Adams were present. Dottie King and Rob Miller were absent.

I. Call to Order

Mrs. Heffner, vice-president of the board, called the special session meeting to order at 6:35 p.m. She then led those in attendance in the Pledge of Allegiance and offered the prayer.

II. Adopt 2011 Budget, Capital Projects Plan, School Bus Replacement Plan and Levy Neutrality

Budget information on the 2011 Clay Community Schools' budget was sent to board members and the budget information was advertised twice. The budget hearing has been held and it is now the time for budget adoption.

Mr. Fowler noted that the budget presented for approval was the same budget that had been presented last month. He explained that the proposed budget maintains current staffing and keeps the corporation on a steady path that other school corporations are not doing at this point. Information that Mr. Fowler had received from a professional organization indicated that more than 80% of Indiana school corporations had gone through a RIF process this year, and he wants to stay in the small percentage that did not have to RIF. His recommendation is to adopt the budget as presented.

Under discussion, Mr. Scherb asked for Mr. Fowler's definition of unfunded liabilities and how it applies to this corporation. Mr. Fowler responded that he has worked at the federal, state, large city, and school corporation levels, and each of those levels has a different definition of unfunded liability. For the school corporation, the definition falls into what the corporation promised people, perhaps as long as thirty years ago, and the money had not been set aside to pay for that. When money is set aside to pay for those promises, the unfunded liability has been covered. A certain amount of the Rainy Day Fund has been put back, principally for certified staff, to cover retirements that were promised to them in their contract long before any of the current board members were sitting on the board or Mr. Fowler or Dr. Schroeder had been hired. The corporation wanted to cover that unfunded liability so that it didn't come out of current educational need and opportunity. Dr. Schroeder added that, in a broader sense, unfunded liability could refer to something the state says that a school corporation must do, but the State does not provide funding for it. Some people term that as unfunded liability because there is a requirement to take on new situations to meet the new laws, but the corresponding money to pay for it is not received.

Mr. Scherb next asked how much unfunded liability the corporation had. Mr. Fowler's response was that, according to the actuarial study, based on assumptions for retirement only, the corporation's unfunded liability in 2007 was approximately \$3.8

million, which is why the corporation put \$2.6 million into the Rainy Day Fund. The interest generated there is put back into the Rainy Day Fund, and it is hoped there will be enough to cover retirements in the future. When the \$2 million was put into the Rainy Day Fund, it was supposed to take the corporation to at least 2019. At that point, there won't be as many retirees, so the amount that the school corporation has to pay each individual after that, which would be unfunded, is pretty minimal, less than \$100,000.00 per year. To answer Mr. Scherb's question as to whether this was just for administrators, Mr. Fowler stated that it is not; the overwhelming bulk of the unfunded liability is for teachers. Mr. Scherb stated that he had spoken with Dr. Schroeder at central office trying to get a feel for how the corporation was going to pay for this unfunded liability in the future. Dr. Schroeder reiterated that \$2 million was set aside in the Rainy Day Fund. Mr. Fowler pointed out that the funds being set aside for the unfunded liability was the difficult part because the corporation has the money set aside to cover this but is then chastised for having money set aside because that money has to sit there and be dwindled down until 2019. He added that the corporation had thought ahead and the unfunded liability is covered to that point, based upon the actuarial study. Also, Dr. Schroeder noted that pension bonds were sold in 2004. The bonds were listed in the budget as Debt Service (020 account) and are now listed as Pension Bonds (025 account). Those bonds are to be paid off in about ten years, which would be 2014. An additional \$800,000.00 is set aside in the cash balance. The interest is being paid out of Debt Service. These amounts should take the school corporation closer to \$3.8 million. None of that money is being planned to be spent in this budget other than for those who would benefit from the retirement account.

Mr. Scherb then asked if the form in the budget for a reduction in the Bus Replacement Fund levy had any correlation with paying the pension bonds. Mr. Fowler explained that Mr. Scherb was referring to levy neutrality, which ends up reducing the levy that is paid for bus replacement in order to pay for the bonds that funded the buyout that happened in 2004 regarding pensions.

Mr. Fowler presented information regarding the funds in the Rainy Day Fund and what they are earmarked for: There is a total of \$3.7 million in the Rainy Day Fund; approximately \$2.2 million is earmarked for teacher severance; approximately \$960,000.00 is earmarked for the bus garage; and, \$550,000.00 is unallocated/special education. He pointed out that if he were to be asked how much free money was available in the Rainy Day Fund that has never been tagged, he would say zero; however, the board can change any tag that it wants, so his answer would then be \$3.7 million. It depends on if the board honors the previous commitments of the past or if the funds are used for some other solution in the future. Mr. Fowler called attention to the fact that, if something is done with funds reserved for teacher severance other than paying retirement expenses, the money previously being spent out of there will then have to be taken from the General Fund and will mean less money is available in the General Fund. As for funds set aside for the bus garage, if it is decided that the current bus garage is good for the next twenty or thirty years, that money then becomes available. The same applies to the funds earmarked for special education.

In another matter, Mr. Scherb asked for clarity and closure on a topic that had been addressed at the previous three school board meetings: the Capital Projects Fund and

money that had been spent in 2008 and 2009. After speaking with most of the other board members, Mr. Scherb came to the conclusion that they did not understand the report that was provided by Mr. Reberger. He asserted that the question of what projects the corporation was doing had not been answered. Mr. Scherb wanted to make it clear that this is not a personnel issue or an issue addressed to Mr. Reberger. This is a question to the whole administration as to why money is being collected through the Capital Projects Fund when nothing is being done to the three buildings (North Clay Middle School, Northview High School, Clay City Jr/Sr High School) that are not being renovated. As he sees it, if the corporation is not going to do the work to these buildings that was talked about in 2007, then the corporation needs to stop collecting these taxes. At this point, Mr. Fowler asked what had been said would be done that hasn't been done. Mr. Scherb replied that he had gone to several former school board members, one a former president of the board, and that board member had explained to Mr. Scherb that when he voted to do the renovation project, he was told this would free up capital projects monies to do work at these three buildings. The former board member had asked to be shown any projects that had been completed. It is Mr. Scherb's opinion that Dr. Schroeder and Mr. Fowler could have answered this question in July. Mr. Scherb then asked for a copy of Form 8, which he had been told was a one-page semi-annual report on the Capital Projects Fund. Mr. Fowler, who explained that it was Form 9, stated that he would e-mail the form in the morning. However, that report does not list what was done; it just lists how much was spent. Mrs. Heffner clarified that Mr. Scherb would like a report in a format that lists projects that have been completed in each of those three schools and the amount spent from the Capital Projects Fund. Dr. Schroeder noted that one of the things talked about in the construction meetings was that, if the building project proceeded, there might be a possibility to do some of those projects that were left out of the building project. It wasn't necessarily what was to be done on a maintenance basis from year to year. He explained that the building renovation committee started with approximately \$63 million in requests and whittled it down to \$53 million. It was then knocked down to \$26 million. At that time in those construction meetings, it was discussed that if the corporation paid off the current building projects, it could then go on to the next project, which would be the high schools. The corporation was encouraged to save some money in allocations for future projects, or, if there are needs that cannot be met in everyday expenses, then funds could be taken out of Capital Projects for those needs. Dr. Schroeder pointed out that the current building renovation projects are not yet complete. He added that the intent all along was to make sure that there was enough funding to do the projects. That's why there have not been any big items, such as a gym or science rooms, earmarked for CPF. He noted that there is a cash balance in the Capital Projects Fund and if the board chooses in the future to earmark some of that money for projects, they can let him know and Mr. Fowler can build that into the CPF. Mr. Fowler added that he knows that there have been a couple of medium-sized projects and they want to be consistent with all the buildings. An example: installing overhead projectors and interactive white boards. There are grants to do some of these projects and Mr. Fowler has put money into the 2011 CPF to do the rest at the secondary buildings. Mr. Fowler has purchased 100 interactive white boards and 72 projectors, and more will be done. Dr. Schroeder commented that the intent on Mr. Reberger's plan is to be able to get some things done at the elementary level so that everyday expenses wouldn't have to come out of CPF.

If it is desired to devote dollars to other buildings after the building projects have been completed, it can be done.

Mr. Scherb's final question was relative to Form #4, under Capital Projects Fund, regarding Facilities Acquisitions and Construction in the amount of \$2.4 million. Mr. Scherb explained that, as a rookie, he was not prepared for the budget process to end tonight. He would like to know what that amount is going to be spent for. Dr. Schroeder's reply was that the amount was more for repair and replacement. Mrs. Heffner added that it is budgeted but not necessarily spent.

Mr. Scherb stated that he would not be able to vote "yes" on this budget tonight simply because he doesn't feel comfortable, and he hopes everyone can accept that.

At this point, Dr. Buell stated that he, too, would not be able to support the budget. He presented this prepared statement: "Our budget estimate for 2011 is the agenda item tonight. It has insufficient information for school board members to make a valid decision. The cost of each student in our corporation is in the nearly \$10,000.00 range. \$10,000.00 is relatively high compared with other Indiana school corporations. How is our corporation surviving? Clay City school district taxpayers are paying 27% of this \$10,000.00 and 17% of our students are being educated in Clay City schools. Therefore, Clay City taxpayers are paying one and a half the taxes paid elsewhere in this corporation per student. This creates a subsidy for students outside Clay City school district. So, any time that subsidy wants to be increased, all it takes is one board meeting and one night of voting. On this basis, I cannot support this budget presented tonight. In addition, I did not support the project of our elementary school renovations. I was denied as a board member to have any input in the planning. Educational planning appeared absent to me, strictly building renovation was the order of the day. This budget presented tonight should present the total cost of each elementary school's renovation. It should list the amount of money spent for each school for this budget period plus the amount of work performed each budget period. This information should cover the seven elementary schools and the balance of payments, and the balance of work needed for completion should be listed. Operational costs of these renovations and the renovation costs of these schools should be listed separately in this budget. Each payment should define a specific school and specific construction performed and a specific balance left to be done."

Dr. Buell returned to the topic of the difference in what taxpayers pay in the Clay City district and in the northern part of the county. Mr. Fowler offered to e-mail to board members the analysis that he had completed last year regarding that topic. Mr. Fowler deemed it to be a very thorough analysis which breaks down the difference between the money that comes from the state and the money that comes from local taxpayers and how the north is helping out the south by about as much as the south is helping out the north. Mr. Fowler added that the report showed Clay City has more money in the General Fund for teachers because of their association with the north and the north has more money in Capital Projects and other tax-supported funds due to their association with Clay City. Both help each other.

Dr. Schroeder pointed out that the building project is not necessarily part of the yearly budget-building process. The corporation bonded for that out of Debt Service and it is being paid off each year. Debt Service includes the yearly amount for principal and the yearly amount for interest in order to be able to tax for that debt service amount. But all of the planning and all of the bond sales are outside the realm of the yearly budget process.

Mrs. Kaelber moved to approve the 2011 budget, capital projects plan, school bus replacement plan, and levy neutrality. Mrs. Adams seconded, and the motion was approved by a 3-2 vote, with Forrest Buell and Ron Scherb opposed.

III. Assistant Principal Retirement

Jim Clausen will retire at the end of the first semester from his position as assistant principal at Northview High School. It is recommended that the retirement be accepted. Also, it needs to be determined how this position will be filled and whether there will be personnel changes to do that.

Mrs. Kaelber moved to approve the retirement of Jim Clausen at the end of the first semester of the 2010-2011 school year. Mr. Scherb seconded, and the motion was approved by a 5-0 vote.

IV. Adjournment

Mrs. Kaelber moved to adjourn the meeting. Mrs. Adams seconded, and the meeting was adjourned by a 5-0 vote at 7:13 p.m.

The meeting was audio recorded and copies may be requested by contacting the Central Administration Office.