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*Mountain Home School District No. 193*

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SPECIAL BOARD MEETING  
JUNE 21, 2011  
SCHOOL ADMINISTRATION OFFICE

TRUSTEES PRESENT: Trustee House, Trustee Rodney, Trustee Murray, Chairman Alexander (arrived 7:08 p.m.)

OTHERS PRESENT: Tim McMurtrey, James Gilbert, Connie Donahue, Anita Straw, Tara Handy, Chris Alzola, Virginia DelaMotte, Jay Lockett, Shauna Williams, Mike Jewell, Rick Checketts

A special meeting of the Board of Trustees of Mountain Home School District No. 193 was convened at 7:00 p.m., on June 21, 2011, at the District Administration Office, 470 North 3<sup>rd</sup> East, Mountain Home, Idaho, in said district, pursuant to authority provided by Title 33-510, and Title 67-2340 through 67-2347, Idaho Code, and pursuant to affirmation by the Clerk that notice of the special meeting had been given to each trustee and had been announced by published and posted public notice as required by law. A copy of the Notice of a Special Meeting of School Trustees so posted follows:

**NOTICE OF BUDGET HEARING**  
MOUNTAIN HOME SCHOOL DISTRICT  
ELMORE COUNTY, IDAHO

NOTICE IS HEREBY GIVEN, that a special meeting of the Board of Trustees of Mountain Home School District No. 193, Elmore County, Idaho, will be held on June 21, 2011, at 7:00 p.m., at the District Administration Office, located at 470 North 3<sup>rd</sup> East, in Mountain Home, at which meeting there shall be a public hearing on the proposed budget for the forthcoming school year.

A copy of the proposed budget, as determined by the Board of Trustees, is available for public inspection at the District Administration Office, 470 North 3<sup>rd</sup> East, Mountain Home, Idaho, between the hours of 8:00 a.m. to 5:00 p.m., Monday thru Thursday, and 8:00 a.m. to 4:00 p.m., Friday, from the date of this notice until the date of the hearing.

This budget hearing is called pursuant to Sections 33-510, 33-801, 33-801A, and 67-2340 through 67-2347, Idaho Code as amended.

Dated the 3<sup>rd</sup> day of June 2011.



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Sharon M. Whitman  
Clerk, Board of Trustees

Posted: June 8 & 15, 2011  
Published: June 15, 2011

At 7:00 p.m., Vice-chairman House convened the special meeting of the Board of Trustees and stated that the purpose of the budget hearing was to allow an opportunity for the Board to receive public testimony from interested patrons. She asked Mr. Ogborn to present the budget for FY 2011-12.

Mr. Ogborn presented and reviewed the Summary Statement of the proposed budget for 2011-2012 school year. He stated the General M&O Fund begins with a zero balance. He went on to say that the Local Tax Revenue is \$2,860,000 with \$2.8 million of it being the Supplemental Levy; the State Revenue is -\$1,077,000 less than last year

amounting to \$15,836,000 due to the change in the funding process and declining enrollment; Federal Revenue is left the same as last year in the amount of \$2,300,000 of Impact Aid, Earnings dropped substantially from \$60,000 last year to \$7,500 this year as did the Transfers In from \$425,000 down to \$35,000, transfer of funds are to administer Federal Programs such as Special Education and Title I programs; this equals \$21,108,000 in Total Revenue.

Mr. Ogborn then reviewed the Expenditure portion of the proposed budget. He said that salaries declined -\$472,000 to \$12,803,000 due to staffing cuts with the corresponding related cuts in Benefits; Purchased Services increased by about \$195,000 due to the rate of inflation; Materials & Supplies will be less as we're cutting back on building projects and maintenance; Capital Outlay and Debt Retirement remain the same; insurance premiums increased 9% this year so we dropped the insurance from the old Stephensen building, which offset the insurance increase; the majority of the Transfers resulted from having to reimburse Food Services for FICA and PERSI match, which is mandated by federal law; thus we have Revenue in excess of Expenses of \$35,000.

Vice-chairman House asked for anyone having public input to approach the Dias.

Mrs. Chris Alzola approached and asked why we weren't insuring Stephensen and isn't the district required to have insurance. Mr. Ogborn replied that it's an unoccupied building and the district isn't required to insure it. Mrs. Alzola questioned what would happen should an accident occur in that building; isn't the district required to have liability insurance. Mr. Ogborn replied that it is more of a property damage standpoint than a liability so if someone gets hurt, they are covered. Mrs. Alzola then asked that suppose the roof caves in, the district wouldn't have any coverage. Mr. Ogborn replied that's correct.

Mrs. Alzola then had questions regarding the budget. She asked if the district was in "the hole" at \$1.2 million. Mr. Ogborn replied that we actually have Revenue in excess of Expenses of \$35,000. She said but in FY10, the district had a \$1.2 million deficit and how did the district go from -\$1.2 million deficit in FY10 to a deficit of -\$950,000 in the beginning of FY11. Mr. Ogborn replied that school districts have to begin their budget process in March and the beginning of April of the current fiscal year for the following fiscal year's budget; we don't know what the audited ending balance is going to be for the prior fiscal year until the fall of the upcoming fiscal school year, so we have to take an educated guess what our beginning balance is going to be for the budget. He said that we don't know what the actual beginning fund balance is going to be for any year until September of the upcoming fiscal school year. Mr. Ogborn also stated that our budget has to have been developed, appropriated, and approved three or four months earlier. Mr. Gilbert added that we have to budget without a confirmed beginning balance because our audit isn't complete until September or October of the following year.

Mrs. Alzola then said that last year at this time, the district mentioned that it might have to take out a loan to finish the year, so are we going to be in the same situation. Mr. Ogborn replied that the district doesn't think that it will have a cash flow problem. He said we have received some funding requests from the state such as the ARRA funds, we received some funds to reimburse the district some of the special education expenses, we were told that we will receive an Impact Aid payment shortly, so we should have a sufficient cash flow. Mrs. Alzola stated so the district is going to work this whole year and hopefully be at \$35, 000. Mr. Ogborn replied yes.

Chairman Alexander arrived at 7:08 p.m.

At about 7:12 p.m. a patron, Mrs. DelaMotte, arrived and said the budget hearing was published with the budget hearing starting at 7:15 p.m. It was confirmed that there were two different times published.

Vice-chairman House relinquished the special board meeting to Chairman Alexander.

Chairman Alexander stated that because of the two different budget-hearing times, the meeting would reconvene at 7:15 p.m., thus allowing additional patrons the opportunity of attending the budget hearing.

The special board Budget Hearing reconvened at 7:15 p.m.

Chairman Alexander asked Mr. Ogborn to once again present the proposed budget. Mr. Ogborn repeated what was said at 7:00 p.m., and Mrs. Alzola gave her public input again.

Additionally, Chairman Alexander inquired about the changes to employee health insurance. Mr. Ogborn replied that the district insurance plan would change and pass some of the costs to employees. He said the district employee plan would have two different deductibles, a \$1,250, or \$2,500 deductible as determined by the employee's insurance questionnaire and adverse risk analysis that each employee will be required to submit in the fall. He said an employee could buy the \$2,500 back down to \$1,250, but the employee will have to pay a certain amount each month to bring it back down to the \$1,250 deductible. Chairman Alexander asked if the district was fully funding the district employee's health insurance. Mr. Ogborn responded yes, but the deductible has gone up significantly offsetting the cost to the district. Discussion began regarding insurance companies and the costs. Chairman Alexander stated that businesses are starting to do away with employer paid employee or family health insurance, leaving the employee responsible for purchasing their own insurance coverage. Mr. Ogborn stated that he and Mr. Gilbert attended an insurance meeting and there they were told how the new federally required healthcare plan is affecting businesses and company's healthcare plans, and how businesses and companies are starting to no longer offer healthcare as a benefit. He said he sees that change starting in this district in the next couple of years.

Chairman Alexander then asked patrons to come forward and give input if they wish. Mrs. Alzola once again came forward to give her previous input.

Mrs. Alzola added that regarding health insurance, it's not uncommon to see \$5,000 deductibles and so a \$1,250 and \$2,500 deductible is good. She then asked Mr. Ogborn to explain "All Other" funds. Mr. Ogborn responded by stating All Other Funds encompasses all Federally required programs such as Title I, Title VI B, Title VI B Pre-school, Special Education, etc. He continued by including state vocational education funds, it covers the 310 Bond fund, dedicated debt services programs, Plant Facility funds, etc. Mrs. Alzola asked why were the salaries of the All Other Funds increasing when there have been cuts.

Mr. Gilbert explained that some of the salaries were paid from the ARRA funds, but once that money ran out, we still had to pay salaries, so we had to move those salaries from the ARRA funds to such things as Special Education funds or Title I funds. He said so it might show an increase in salaries in one fund area but there will be an equal amount of decrease in another area. Mrs. Alzola stated wouldn't that be revenue and not expenditure. Mr. Gilbert replied no, because the majority of the money comes from our General Fund to cover the cost of the federally required programs in which the Federal Government doesn't pay enough to cover the costs that they, federal government, require of school districts, which is where the expenses should come from anyway.

Mr. Gilbert continued to explain that all school districts have a Maintenance of Effort, which legally obligates school districts to spend a certain amount of money to offset the cost of federal programs such as special education. He then explained what that means is that we have to take money from the General Funds to meet the expenses of all the federal legal required services and programs. Mr. Gilbert continued to explain that what had happened this past year is when the ARRA money ran out in which the district had a significant number of classified employees being paid from the ARRA funds, so in order for our district to continue to meet the legal federal requirements, the district moved money from the General Funds to All Other Funds to pay salaries and that's why she sees an increase in salaries in the All Other Fund category.

Mrs. Alzola stated that once everything was adjusted and totaled, the Total All Funds reflects that the district is short \$1 million from last year. Mr. Ogborn and Chairman Alexander responded yes, very close on the revenue side and after adjusting salaries and expenses accordingly. Chairman Alexander said the wild card is Impact Aid because we never know if we are going to get Impact Aid. Mrs. Alzola said that Impact Aid has been dwindling. Chairman Alexander said Impact Aid has been dwindling because enrollment has dwindled and Impact Aid is what he considers a political game in which Idaho has a very small footprint in Washington, D.C. He also said there have been years that the government has put a freeze on Impact Aid.

Chairman Alexander explained that we used to get a quarterly check and could budget for that every year, but now we never know if we are going to get a check. Mrs. Alzola inquired that didn't the district budget for Impact Aid

last year and a check never came. Chairman Alexander replied that it is very weird how Impact Aid works. He said that the district was told that all the Impact Aid checks were received by last year, but not necessarily because of end of last year, but because checks came from about five or six years earlier; the district also an Impact Aid check last year from the 2007 school year, three years later. Mr. Ogborn stated that the 2007 check was to close out the 2007 school year; along the same line the federal government said the 2008 school year is closed out as well. Chairman Alexander added that just because we were told the 2008 school year closed out doesn't mean that we won't receive a check from 2006.

Chairman Alexander explained that Mr. Ogborn has to use historical data to forecast Impact Aid by using a three-year average, which is the best that he or anyone can do. He said that Mountain Home School District cannot be compared to other school districts in Idaho because of Impact Aid and because we never know if we are going to receive an Impact Aid check, and we truly never know what our enrollment is going to be. Chairman Alexander explained that any other school district in Idaho could look at this year's enrollment numbers and basically know that if they had 300 Second Graders they will have about 300 Third Graders the next school year; that is not the case for our school district. He said a few years ago at the airbase, we had almost 400 First Graders and the next year we only ended up with about 300 Second Graders, not to mention that we had to budget on that year's 400 First Graders, and that has become the trend on the airbase. He also said that we only have about 300 students total on the airbase when we used to have almost 1,400 students, and of the 300 students going to the base school, about 80 to 90 of the students actually live in town but because their parents work on the base, they attend school on the base. Chairman Alexander said that if it weren't for the 80 or 90 students who live in town but attend school on the airbase, the enrollment at the base wouldn't be enough to justify keeping that school open and not to mention we would have a difficult time finding room for the remaining students here in town.

Trustee House said that of the Military Impacted schools, we are the anomaly. Most of the bases have moved and relocated so the school districts in those areas were impacted due to an overflow of students in their districts, but in our area, we are losing students. Mrs. Alzola stated that's rather expected with anything one does with the government. She said the school district has done very well with Impact Aid money for many years when the enrollment was up, but what makes it tough is that the district got used to having the Impact Aid money to budget and now to try to reduce that amount of money has to make it very hard to budget. Discussion continued regarding enrollment, Impact Aid, and budgeting.

Mrs. Alzola ended by asking if the district was comfortable with only having \$35,000, because that isn't enough to cover one month's expenses let alone a catastrophe. Chairman Alexander agreed that \$35,000 isn't enough and realistically we should just put zero down instead. He expressed how well Mr. Ogborn does with the budget using historical data and statistics to put together the budget and the district has done very well with Mr. Ogborn's numbers; his calculations end up being very close to the audited budget. Mrs. Alzola stated that she understood but said that more cuts should be made because \$35,000 is an unrealistic number. Chairman Alexander responded that during the year, cuts would be made as necessary to adjust. Mrs. Alzola asked if that wasn't harder to do in the middle of the year, is there a backup plan, isn't there an investment pool. Mr. Ogborn said the district does have money in the investment pool but that is strictly for the General Fund and Public Fund combined, but if she was asking if we had money in reserve for catastrophic revenue shortfall, we have \$35,000.

Mrs. Alzola stated that if there is one little hiccup there is no money. Mr. Ogborn agreed, but said the district had a deficit of -\$1.2 million, and the district is grateful that the community supported the Supplemental Levy. He said that his concern is that next year, should the Tax Revenue of \$2.86 million drop down to \$60,000, and the Supplemental Levy goes away, it is uncertain what would happen to the district. Mr. Ogborn stated that the Supplemental Levy is only about 14% of our total revenue source. Mrs. Alzola said that the community has already said no to the M & O, they said no more taxes. Mr. Ogborn said it wasn't the M & O; it was the Plant Facility that the community didn't pass.

Mr. Gilbert explained that regarding more cuts, about 80% to 85% of the budget is salary and benefits, but the State requires us to have a certain amount of teachers, a certain amount of administrators, and a certain amount of classified as calculated by enrollment and right now we are as low as we can possibly go with our teachers and administrators. He said that we're below what the state expects us to have, but there is a "drop dead" number that the

state won't allow us to go below that number. Mr. Gilbert continued to say that our classified number is a bit higher than the state allows, but those classified salaries come from different funds, and we have already cut so many classified positions that if more classified positions are cut, we aren't going to be able to provide services to Special Education, Title I, etc., that we are federally required to provide. That's why we took drastic staffing cuts this year and cut as deep as we could with the understanding that we might face additional cuts should state funding decrease and if the district decides to run another Supplement Levy, it fail as well. The state hasn't given us any relief on state required services nor has the federal government given us any relief on their required services.

Mrs. Alzola said she understands but she doesn't know how the district can feel good about only having \$35,000. Trustee House responded the district doesn't feel good about only having \$35,000. Mr. Ogborn said part of the problem and one of the frustrating aspects is that the district has to hire staff in May for the following year, but we don't know how many students we have until August, and the state won't fund us until November. He stated so now we have to commit resources in May for an unknown revenue stream that won't be known for about six months. Mr. Ogborn went on to say we submit the Impact Aid cards every January, and we still haven't been paid for this year even though we have been paying for the staff. Mr. Ogborn stated that what is frustrating is the delay in a known revenue stream and having a commitment for resources at the very beginning of the year.

The Board thanked Mrs. Alzola for her input and Chairman Alexander asked if anyone else had public input.

There being no other public input, the Budget Hearing concluded. A motion from Trustee Rodney to adjourn was seconded by Trustee Murray. Motion approved. Budget Hearing adjourned at 7:38 p.m.

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Chairman Alexander

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Clerk Whitman