

OAK PARK AND RIVER FOREST HIGH SCHOOL
201 North Scoville Avenue
Oak Park, IL 60302

FINANCE COMMITTEE MEETING

Tuesday, November 9, 2010

A Finance Committee meeting was held on Tuesday, November 9, 2010. Co-Chair McCormack called the meeting to order at 7:37 a.m. in the Board Room. Committee members present were John C. Allen, Terry Finnegan, Dr. Ralph H. Lee, Amy McCormack, Dr. Dietra D. Millard, and Sharon Patchak-Layman. Also present were Steven T. Isoye, Superintendent; Nathaniel L. Rouse, Principal; Lauren M. Smith, Director of Human Resources; Cheryl L. Witham, Chief Financial Officer and Treasurer; and Gail Kalmerton, Executive Assistant/Clerk of the Board.

Visitors included Kay Foran, Community Relations and Communications Coordinator; James Paul Hunter, FSEC Chair; Doug Wiley, OPRFHS Supervisor of Finance; Robert Zummallen, Director of Buildings and Grounds, Micheline Piekarski, Food Service Director; Jason Dennis, Donna Sebestyen, Benefits Coordinator, Vanessa Hughes, and Francisco Arriaga, OPRFHS faculty members; Scott Pellack of Vanguard Energy; and Scott R. Baldwin and Brian Butler of Gallagher Benefit Services, Inc.

Approval of October 19, 2010 Finance Committee Minutes

It was the consensus of the Committee members to accept October 19, 2010 Finance Committee minutes with the modifications as suggested.

Employee Benefit Insurance Renewal

The Gallagher Benefit Services representatives reviewed the executive summary of the employee benefit insurance renewal that was included in the packet.

The Insurance Committee reviewed the projected increases of 2.5% for the PPO plan and 14% for the HMO plan and recommended a 5.2% increase across all medical plan participants. The prescription participation will increase by \$5 to help lower the renewal increase in each plan as well. Gallagher also recommended including prescription drugs under the specific and aggregate stop loss coverage which will ensure protection for catastrophic claims that could occur with prescription medications.

If this young faculty focuses on wellness, it could affect the District's future claim experience by mitigating costs before they occur. Gallagher Bassett is a specialist in wellness and as such a subcommittee was formed to work with it on wellness initiatives. The District asks that the Board of Education allocate \$15,000 to support the subcommittee's suggestions. It was noted that the Health Care Reform Act is friendly to wellness initiatives. Another avenue to control future costs include employees migrating to the VEBA option, a health savings account that encourages consumerism; this is not a popular choice at this time because it calls for a higher deductible.

Discussion ensued. OPRFHS reserves of \$1.6 million (135% of the expected claims) are held in an internal service fund, not the General Education Fund. The District and the

employees share the ownership of these funds and they are unavailable for any other purpose.

The Insurance Committee and the Business Office were complimented on their good and collaborative work of putting OPRFHS in the position of having options so that no one experiences a huge increase in premium.

Gallagher Bassett affirmed that the differences between HMOs and PPOs were now less and that the next generation of insurance plans would probably be a hybrid of the two.

It was the consensus of the Finance Committee members to recommend to the Board of Education that it approve the renewal of the health care benefits as presented and allocate \$15,000 to a subcommittee to support wellness initiatives at its regular November Board of Education meeting

Construction Update

Pools

It was reported that the Illinois Department of Public Health did a site visit the previous week and the pool passed its dry inspection. Further information will be provided to the IDPH by Wight & Company and when the IDPH is satisfied, it will issue a building permit and allow the pool to be filled. The Buildings and Grounds Department must ensure that the pool can hold the water temperature steady and contains the right chemicals.

Summer Construction

OPRFHS is issuing an RFQ for architectural services for the upcoming summer projects. The Facility Committee is working on the 2011 projects. Because Wight previously committed to paying for work to be completed next year, Ms. Patchak-Layman asked how hiring a new architect would fit in with that commitment. Mr. Zummallen noted that Wight had committed to paying for the cost of estimating only. Mr. Isoye stated that In the future, the District plans to keep the architectural services separate from the construction services. Mark Wight, Chairman of Wight & Company, would also like the opportunity to talk with the Board of Education in the future.

Update on Vanguard Energy Services

Mr. Pellack, the District's energy broker, informed the Board that in December 2008, the District signed an electrical agreement with Mid American Energy. In August 2009, he was able to secure a rate lower than the previously locked-in rate of 08 cents. Thus, current new contract is .0607 for fiscal year 2010-11 which should save the District approximately \$69,000. He anticipated that the District will save \$121,000 for the full 2010-11 fiscal year that will expire in 2010. He provided the Committee with a comparison of past fixed rates to the actual market. By "riding the market," during the July to December 2010 period, an additional \$12,000 was saved. He also noted that all administrative charges, i.e., costs from Com Ed were included in the current electrical contract, and rolled into this.

Energy rates have not been this low in ten years. If the economy remains the same, opportunities might arise to lock in rates for the 2012-13 fiscal year lower than the ones for the 2011-12 timeframe. Mr. Pellack will continue to the monitor this. The commodity that

most affects this pricing is natural gas because of the overall desire of everyone to be greener.

Starting Wages

Continuing the discussion about starting wages, Ms. Witham informed the Committee that after talking with both the Bookstore and Food Service Departments, only five individuals in Food Service make less than \$10 per hour. An effort is made to move these individuals to a higher pay scale quickly and the Food Service Director feels their salaries can be increased under Policy 3550, Food Service and the Bookstore, as it presently is stated. The Bookstore, however, cannot take the same action as there is a layering of hourly rates for high school and college students; the longer one works for the Bookstore, the more they are paid. To increase the salaries of these employees would cost an additional \$15,000, which would mandate incorporating this increase into the cost of the books to parents.

Previously it was reported that Special Education students were paid \$3 per hour. Ms. Witham clarified that these students are being taught life skills, i.e., how to count money, go to the bank (within the Business Office), etc., and they are paid in “Huskie Bucks.”

Ms. Witham continued that the Bookstore does not encourage OPRFHS graduates to continue to work there. However, the one or two college students that are hired train and mentor others. Students make application directly at the Bookstore.

Ms. Patchak-Layman wanted a fair process for making these job opportunities known to all students, e.g., the job requirements, qualifications, responsibilities. Her interest, however, did not revolve around minimum wage for students and sequencing.

Relative to whether the Board of Education should take a formal vote to increase salaries above the minimum wage for adults, Dr. Lee believed that many people in society should make more money in their jobs, but he questioned whether it was the Board of Education’s responsibility to raise the incomes of anyone it hires simply to raise that person’s income. He philosophically disagreed with the Board of Education being the advocate to spend more money to raise the income level of its community, as its fiduciary responsibility is to the school. Mr. Finnegan stated that the Board of Education did not need to take any action as it was stated in the memorandum in the packet and that increases could be given to the five part-time individuals in Food Service. The Bookstore should remain as is. He favored the administration continuing with the Board of Education’s desire. Mr. Allen and Dr. Millard did not favor bringing this to a vote.

Guessing that another cashier had to be hired because of the low salary offered, Ms. Patchak-Layman argued it was valuable for cashier to know the students and, as such, provide supervision. She also stated that several committee members shared her concern about all students having the ability to apply for positions and that attention should be given to the posting of these positions.

FAC Budget Model

The members of the Finance Committee expressed their opinions as to the budget model as recommended by the Financial Advisory Committee and the Advisory Leadership Team (ALT) composition recommended by DLT.

Ms. Patchak-Layman was disappointed that DLT had recommended that the process be a closed one versus what was originally proposed as an open process which was reflected in previous minutes that the Board of Education would approve and select the members of ALT. Ms. Patchak-Layman's past experience with this Board of Education was that it was reticent to challenge committee recommendations that come to forward and, thus, she disagreed with the recommendation. Mr. Isoye offered that the meetings would be summarized and shared with the Board of Education.

Dr. Lee agreed with the recommendation as to the purpose of the ALT as he believed that ALT should operate within the parameters set by the Board of Education, as it is the Board of Education's job to set policy direction, but he suggested adding as the fourth bullet point as follows:

- 4) To insure that all activities stated above are carried out in such a way as to implement and neither conflict with nor ignore any specific financial policy directions that have been placed into effect by the Board of Education.

Ms. McCormack felt that the above could stifle free flowing conversation and that it was the Board of Education that made the financial decisions. Dr. Millard noted that ALT would function under the direction and the policies of this Board of Education. Dr. Lee contended that the Board of Education has not stated the policies and that a financial resolution had been adopted two times, giving a very clear direction. As such, the Board of Education has the expectation for the District to move in that direction.

Mr. Isoye reminded the Committee that FAC's proposal is about 1) educating the various stakeholders about the District's finances and school finance in general, and 2) seeking cost saving ideas from the constituents which would then be sheperded through a variety of committees and projected into the finances of the District. The ALT will not make slashing cuts. It is the first piece of many on-going discussions about cost savings efforts in the budget. That had always been the intent when the administration was asked to involve other people.

Mr. Finnegan reiterated that ALT would be a group that would review the work done by committees, synthesize the areas to look more deeply at and reduce the number and scope from other committees. Ms. Witham added that ALT will look at the five-year projection model and do a "what-if" or "gap analysis" as to what would be needed for example to change spending in order to save \$2 to \$5 million. DLT would also review the suggestions. ALT is not a decision making body.

Mr. Finnegan suggested having an odd number of ALT members. Ms. Patchak-Layman asked if Board of Education members could listen to ALT's conversation and whether additional groups could be added, e.g., a parent group, etc.

When asked if the purpose of the ALT was to make mathematical decisions only, Mr. Isoye stated that its work would not only be the quantitative aspect, in terms of dollars and cents, but the qualitative impact on the school, students, and daily work as well.

There was consensus that the concept of the FAC model and ALT would be added as an action item at the regular November Board of Education meeting so that FAC can continue with its educational process and Dr. Isoye may review the component of the ALT to be brought back to the Board of Education in December.

Process to Add New Programs

Per the Board of Education's request and as an informational item, the administration documented the process presently used to add a new program. An example of when this process was used by the District was when it added the initiatives to satisfy the new graduation requirements and the legal ramifications at the time of the phase-in of the referendum. It was a lengthy process and an example of a large increase in spending. The timeline for starting a new program would depend upon when the program is brought forward. This process will be matched up with the timeline of the FAC.

Preliminary Levy

It was the consensus of the Finance Committee members to recommend to the Board of Education that it approve the preliminary levy and to place it on display at its regular November Board of Education meeting. The Board of Education will still have time to make adjustments if needed. The CPI used for this levy is 2.7%. In addition, the River Forest TIF will expire. Also, the assessed value has been increased so as not to miss an opportunity if Oak Park decides to carve out property from the Downtown TIF (estimating it to be \$20 million). Regardless of the Levy amount set, the District will not receive more than the law allows (5%) or CPI, whichever is less, plus new property.

When asked if River Forest residents would see a decrease in their property taxes because of the offset of the TIF funds and the District's levying only into the general EAV, Ms. Witham responded that if the District did not set the levy high enough to capture the EAV, it could decrease the property taxes. However, that is not reflected in the District's long-range projection model. An increase in EAV reduces the rate and the rate that individuals pay becomes less, although the total tax is the same amount.

Financial Reports

It was the consensus of the committee to recommend to the Board of Education that it approve the October 2010 monthly financial reports at the regular November Board of Education meeting.

Treasurer's Reports

It was the consensus of the Committee to recommend to the Board of Education that it approve the Treasurer's Report for October 2010 at the regular November Board of Education meeting.

Adjournment

The Finance Committee adjourned at 9:56 a.m.