

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

FINANCE COMMITTEE MEETING
Tuesday, March 17, 2009

A Finance Committee meeting was held on Tuesday, March 17, 2009. Acting Chair Millard called the meeting to order at 7:33 a.m. in the Board Room. Committee members present were John C. Allen, IV (attended telephonically), Valerie J. Fisher, Dr. Ralph H. Lee, Dr. Dietra D. Millard, Sharon Patchak-Layman, and John P. Rigas arrived at 8:18 a.m. Also present were Dr. Attila J. Weninger, Superintendent; Jason Edgecombe, Assistant Superintendent for Human Resources; Cheryl L. Witham, Chief Financial Officer; Jack Lanenga, Assistant Superintendent for Operations; and Gail Kalmerton, Executive Assistant/Clerk of the Board.

Visitors included Kay Foran, Communications and Community Relations Coordinator; Paul Keller, Esq. of Ancel Glink; Doug Wiley, OPRFHS Supervisor of Finance; Tim Keeley, OPRFHS Purchasing Coordinator; Robert Zummallen, Director of Buildings and Grounds (departed at 8:51 a.m.); James Paul Hunter, OPRFHS Faculty Senate Executive Committee Chair; Antoinette Hagins, OPRFHS Assistant Head Custodian, Dan Hurtado, parent; Judie Wilson, League of Women Voters; Robert Baron, Senator Don Harmon's Office; Debra Kadin of the Chicago Tribune, George Bailey and Amy Leafe McCormick, Board of Education candidates and parents; Tim McDonnell and Gene Washington of SEIU, and Terry Dean of the *Wednesday Journal* (arrived at 8:18 a.m.).

Minutes

It was the consensus of the Finance Committee members to accept the minutes of the January 2009 and February 2009 meetings, as presented.

The Childcare Center discussion that was noted in the minutes would be scheduled for the April Finance Committee meeting.

Summer Facility/Construction Work 2009

It was the consensus of the Finance Committee members to recommend to the Board of Education that it approve the Summer Facility Construction Work for 2009 at the Special Board meeting scheduled for Tuesday, March 17, 2009, as presented.

Mr. Lanenga walked through the items that had been scheduled as summer facility/construction work 2009 (attached to and made a part of the minutes of this meeting). He stated that the Board of Education had already approved the Life Safety Amendment #19 for air handlers, fire dampers, asbestos removal, and re-coating the Stadium. He expected the bids for the described work to be approximately 10 to 20 percent lower than estimated, which will cover any necessary contingency funds. Outside of Wight's scope would be the , the rebuilding the tennis courts, the replacement of all fifty-five (55) gallon plastic garbage drums, the replacement of the stadium sound system if lights were approved, replacement of the cyclone fence on west side of the fields, and replacement and

rebuilding of an elevator (one per year). While this and the items approved under Life Safety were projected to cost a total of \$2,193,240, based on 2008 construction prices, Mr. Lanenga has heard reports that the actual numbers could be 20 percent lower and that there would probably be more bidders.

In response to Ms. Patchak-Layman's question as to whether these items fell into the category of "must dos" or if fell into the category of wants," Mr. Lanenga described them as follows:

- 1) Vacuum pumps—must do.
- 2) Garbage cans—unsightly, can be knocked over easily.
- 3) Tennis courts—must do, because of the safety issue.
- 4) Fencing is part of the ongoing fencing project.
- 5) Sound system—only if lights are approved.

He also saw these as the high school's responsibility; he did not feel asking the Boosters for help in this regard was appropriate as Ms. Patchak-Layman suggested. The Boosters pay for the "extra" things.

Special Education Bus Service Contract Renewal

It was the consensus of the Finance Committee members to recommend to the Board of Education that it renew the two-year extension of the Special Education Bus Service Contract with Grand Prairie Bus Service at its regular March Board of Education meeting, as presented in the packet. Mr. Keeley reported that the experience with this bus company had been very good. Ms. Witham responded to Ms. Patchak-Layman that there had been no conversations about the timing of buses arriving before school or after school.

Photography Proposal

It was the consensus of the Finance Committee members to recommend to the Board of Education that it approve the contract with HR Imaging for photography services for one year at its regular March Board of Education meeting, as presented.

The recommendation to award this contract with HR Imaging was because it provided the best package. There was a signing bonus of \$21,000 and two digital SLR cameras valued at approximately \$4,000 each. Senior students would benefit, as they would only pay a \$5 sitting charge for the extensive package. The regular sitting would be free.

Yearbook

It was the consensus of the Finance Committee members to recommend to the Board of Education that it complete the 2008-09 yearbook contract with Walsworth Publishing and bid the 2009-2010 yearbook publishing services.

The administration discovered that a faculty member had signed a contract with Walsworth Publishing in October 2007 for the 2008-09 yearbook and again in December 2008 for the 2009-2010 yearbook. Because the faculty member was not an approved

signer, the administration advised Walsworth that it did not have a binding contract. Walsworth Publishing and the students have already completed approximately 30 percent of the 2008-09 yearbook. Some Finance Committee members suggested that this act be reflected in his annual evaluation. Ms. Patchak-Layman noted this was a transition year of corrections and making staff more aware of the proper procedures.

Authorization to Place District 200 Amended Budget FY '09 on Display

It was the consensus of the majority of the Finance Committee members to recommend that the Board of Education approve the authorize to place the amended FY 2009 budget on display for thirty days beginning March 18, 2009, at its Special Board Meeting on that same day, March 17, 2009.

Ms. Witham provided a management discussion and analysis. The major adjustments to revenue reflected:

- 1) the actual grant amounts;
- 2) lower than anticipated health insurance renewal premium (approximately \$100,000);
- 3) receipts of corporate personal property replacement taxes;
- 4) reduction of O&M Fund by an additional \$300,000 as corporate personal property replacement tax was less; and
- 5) reduction of IMRF Fund by an additional \$15,000, as the corporate personal property replacement tax was less.

The major adjustments to the expenditures reflected:

- 1) federal sources of revenue;
- 2) adjustments to programs because of changes in plans;
- 3) January 1, 2009 health insurance renewal was lower than anticipated and the budget was reduced by approximately \$100,000 to reflect the savings in premium;
- 4) purchase of the Kronos timekeeping system;
- 5) increase of actual salaries compared to estimated salaries in various program areas and reclassification of some account codes to properly reflect expenditures;
- 6) increase of legal fees for actual court cases or specific legal action;
- 7) increased of costs related to construction projects;
- 8) increased of costs for bus repair; and
- 9) adjustments to IMRF to reflect expenditures for the summer school program
- 10) final expenditures related to the previous self-insured portion of outstanding claims in the Workers' Compensation Fund.

Treasurer's Report

It was the consensus of the Finance Committee members to recommend to the Board of Education that it approve the January 2009 Treasurer's Reports at its regular January Board of Education meeting under the Consent Agenda.

RFP Proposals

Ms. Witham reviewed the background information in the packet highlighting the certain information. The Board of Education and the administration have been working to identify and implement cost saving initiatives that sustain instructional programs, while improving operational efficiencies. In January 2009, the Board of Education approved a financial resolution indicating its “determination to take every available opportunity over the next ten years to contain costs in ways that balance both the District’s ability to sustain its financial health and deliver the highest quality of educational services.”

She continued that a determination to avoid the need for a referendum in 2018 requires the identification and implementation of significant and sustainable cost savings over the next ten years. With the current level of spending in the Education Fund, the District will begin deficit spending in the 2013–2014 school year. This deficit spending will increase through 2018 and is currently expected to be in excess of \$8 million per year by the 2017–2018 school year. Sustainable cost savings realized in the Operation and Maintenance Fund (O & M) would allow the District to reduce the O & M Levy and increase the Education Fund Levy in order to support the educational programs and reduce the deficit spending.

Another area of cost savings initiatives or areas the administration investigated was that of contractual services. Recent legislation, specifically Illinois Public Act 095-0241, requires certain objectives to be met in consideration and award of contractual services with private vendors. With the help of legal representation, the District has carefully evaluated the requirements of the Act and has diligently met each one. Ms. Witham reviewed the timeline in the Act. The Board of Education and administration will carefully review the RFP’s at two public meetings, the March Finance Committee Meeting, and the March Board of Education Meeting. Paul Keller, the District's attorney, will attend these to assist the Board of Education in this important and difficult review of RFP’s. She provided the Board of Education with specific RFP documents to aid in the cross reference of the law to the bid results. In addition, the administration requested of all three of its law firms to provide opinions on the interpretation of PA 095-0241, which were attached.

Ms. Witham continued that the RFP specifications included green cleaning supplies, paper supplies, cleaning equipment, equipment repairs, communication devices, supervision, uniforms, employee training program, workers compensation and custodial services wages and benefits for a minimum of three shifts. This totals 28 custodial positions during the day and 20 in the evening.

Part of the review process requires assessing if the RFP submitted by each contractor had met the requirements of the law. The consistent interpretation of the law from the District’s attorneys reflects an opinion that the District is required to assess if benefits are comparable, although salaries are not required to be comparable. The benefit package is not required to be exactly equal, rather it should be comparable. Some areas may offer greater benefits and others not. The question of comparability in the law lacks clarity and

it is up to the Board and the administration to determine what comparability means by reviewing the proposals.

The staff provided a chart for the Board of Education in summary of the responses from the vendors. Each vendor had to provide a 1-, 2-, and 3-year cost comparison. Fourteen (14) vendors attended the pre-bid opening. A bid opening occurred and the District received four proposals. The Board of Education members received copies of the proposals and they were posted on the OPRFHS website. A rating system was used, references were called, equipment and supplies were rated, and the comparison of the ratings was included in the packet. All vendors were asked the same questions. Ms. Witham personally spoke with the Calumet School District, which had gone through this process after the enactment of this law. She offered that the individuals who checked references were in attendance at this meeting to answer Board of Education questions.

Ms. Patchak-Layman asked for clarification about the Board of Education summary in the packet. She asked if the projection of deficit spending by \$8 million dollars by 2017-2018 was based on PMA's projected 3 percent yearly increase, in general, for expenditures. Ms. Witham stated that it was based on the 3 percent but the proposal does not reflect that the District's revenue will be down, as the CPA was only .1 percent. The PMA model has nothing to do with this paper; and by taking in the revenue side and the expenditure side, it is different from that presented. Ms. Patchak-Layman reiterated that the project was for a 3 percent increase in expenses, unless a contract was in place that would state otherwise.

Ms. Patchak-Layman then asked where the information requested in the law on page 14 (D) was in the proposal. Two bidders did provide some of the required information, e.g., "a minimum 3-year cost projection, using generally accepted accounting principles and which the third party is prohibited from increasing if the bid is accepted by the school board, for each and every expenditure category and account for performing the non-instructional services." While she saw two bidders who put in two sets of data for themselves for one year, she did not see data for years two and three. Two bidders did not provide this breakdown, and she interpreted it as being a line item analysis, even though Mr. Keller said this was appropriate. She asked how this requirement of the bill had been met. Mr. Keller stated that the data was gathered in response to the RFP in the pricing form in Section P, which asks for three (3) years of total services. The instructions to the vendors included the requirement to provide three-year cost projections. They received a copy of the state law itself and the pricing form, which asks for the sum total of all of the projections in one number. The District did not ask, because it is not required to ask for the projections to be itemized. State law does not specify that cost projections have to be itemized by category or account but rather that the cost projections take into account or include the expenditures for each category and account. In the District's view, the cumulative total of the projections rolled into one number meets the requirements of that section of the law. He understood that some vendors had gone beyond what the law requires and what they were asked to provide by providing a line item breakdown of those projects. This was not asked for nor is it required under the terms of the statute.

Ms. Patchak-Layman stated that under Number 4 on page 14, the same words were repeated and thus the District has that responsibility. The District has interpreted those words each and every category to be a line item. Therefore, if the requirement is not to increase the bid in any category, the categories are still unknown in years two and three, how would the District be able to judge whether in fact they match what is in place? In addition, if a company wins the bid and next year says that the District requested additional things to be done and the vendor asked for an increase, what would the District's reference point if there were no list to start? Mr. Keller stated that the statute says it is the 3-year cost projection from which the vendors would be prohibited from increasing the costs with the cumulative total within the bid price for each of the three years. However, within that total amount for each year of the contract, there is no rigid prohibition on making adjustments for each line item. If there were change orders to the terms of the contract, during the life of the contract then the cumulative total would have to change. Ms. Patchak-Layman knows that the laws passed in Springfield were made by lawyers and everyone has his/her hands in the pot, but individuals should be able to read the laws and make an interpretation of them. When she reads, "a minimum 3-year cost projection...for each and every expenditure category and account for performing the non-instructional services," she wanted to know how one would say that the three-year cost projection is just a general figure, pulling everything in, without having it broken down. What is the comparability of the dollars spent if the line item is not available? She used the example of the 401K and said she did not know what that figure was. Ms. Witham clarified that it was 3 percent of the salary.

Another question Ms. Patchak-Layman asked related to managers/supervisors on site; two bidders addressed that issue and two did not. Mr. Keller stated that was an operational issue as to how the vendors would organize the staff and provide the services. That does not factor into the expenditure category except in so far as it affects the bottom line in any given year. Ms. Witham stated that the Board of Education could explore the staffing levels as each proposal is reviewed to see if it were part of it. Ms. Patchak-Layman noted that the District listed every expenditure category and she wanted to know the same for the vendors in order to be able to compare apples to apples.

Mr. Rigas, assuming Mr. Keller's interpretation was accurate, when comparing apples to apples, asked if one would be more interested in the total cost rather than what each vendor has? Ms. Patchak-Layman responded negatively, as one must look at comparability and know the dollar amounts attached to it. Mr. Rigas used the hypothetical example of building a pool where the new tennis courts are now. If four different bids were received, would she look at individual items, such as the roof, rather than look at the lowest bidder who met the requirements of the bid. Ms. Patchak-Layman stated that the requirements listed in the bid would be cost, technical, and references. For every category, one would make a decision on how one wants those numbers as they relate to the category. If there were six parts, the Board of Education would look at each of these, put a composite together, and, perhaps, include an amendment or addendum. Mr. Rigas stated that if all of the specifications were met, why disaggregate the information. She stated that if there were a state law guiding this, she would look at the

law. Mr. Rigas started the conversation assuming that there was agreement on the law. Ms. Patchak-Layman stated that in order to understand comparability, OPRFHS needed to know what it is doing and what the vendors are offering in terms of dollars. One could say that the District offers health benefits and that is it. Ms. Witham noted that in the example given, if the vendors paid less for premium for less coverage that would appear to be better than if the District paid more for the benefit. Ms. Patchak-Layman felt it was in relationship to other things, e.g., social security would be less in the package because the District would be paying less, and thus that benefit would be less.

Dr. Lee felt that Ms. Patchak-Layman did not agree with Mr. Keller firm's interpretation of the requirements of the law, its interpretation of what the law requires the vendors to do and that her concerns emanated from her disagreement with that interpretation. Ms. Patchak-Layman disagreed that the District was not just to look at the cumulative of the bidding companies; the vendor need to match what the District is required to provide to the community and to itself. Mr. Keller stated that the language in the statute, which requires the three-year cost projections, is identical by the cost projections by the vendors and the school board. He read Section 3(D): "a minimum 3-year cost projection, using generally accepted accounting principles and which the third party is prohibited from increasing if the bid is accepted by the school board, for each and every expenditure category and account for performing the non-instructional services"; and Section 4 states, "The contract must not be entered into unless the school board using generally accepted accounting principles, of each and every expenditure category and account that the school board projects it would incur over the term of the contract if it continued to perform the non-instructional services using its own employees with each and every expenditure category and account that is projected a third party would incur if a third party performed the non-instructional services." The language is parallel. Thus, the data is comparable to that of the vendor and the school board is required to provide. The fact that the Finance Department has provided the Board of Education with an itemized list of those projections goes beyond the strict language of the statute; the statute only requires a cost comparison of the expenditures. The fact that the Board of Education has chosen to compile the data in that fashion does not mean the vendors are required to provide the information in that fashion. The Finance Department could have provided a bottom line. Ms. Patchak-Layman's statement that the vendors are required to do the same thing as the District is true, but what the District has done is more than what the statute requires. Ms. Patchak-Layman disagreed with that statement.

Ms. Witham asked if the Board of Education would like the data gathered and compared. Dr. Lee did not want to see the staff spend any more time in gathering more details, but if the staff felt the need for more detail, then it should do that. Ms. Fisher concurred with Dr. Lee. Mr. Allen did not have a fully formed opinion. When Ms. Witham informed Mr. Rigas that it would take only a few hours of staff time in asking them to mirror the categories provided by the Finance Committee, he then wanted to see the information.

In addition to the categories provided, Ms. Patchak-Layman asked to see breakdown on the other staff, i.e., support total categories.

Ms. Witham reiterated for Mr. Rigas that this meeting was for the Board of Education members to review the proposals only, one at a time, and to gather any additional questions or clarifications. No decisions were to be made today and the administration was making no recommendations. The March 26 Board of Education would be another opportunity to review the proposal and the Board of Education was scheduled to take a vote.

Ms. Patchak-Layman commented that usually the administration makes a recommendation to the Board of Education and then it takes a vote. This process was missing the recommendation step. Ms. Witham noted that if the Board of Education wanted the administration to make a recommendation for the March 26 meeting, it could do so, but the process that was being followed was the law. Ms. Patchak-Layman noted that seldom does the Board of Education make a recommendation and then vote on the issue in the same meeting, other than in emergencies. Mr. Rigas concurred and explained that when this format has occurred in the past it has been on significant issues, e.g., the lights, and the phase-in, etc., because the perception was that it had a high enough priority so that the Board of Education should make the decision. Even though there has been heavy discussion already, significant discussion should occur at the regular Board of Education meeting as well. This format is used for high profile issues, as the community is interested in seeing the debate on this issue. Typically, when the administration makes a recommendation and discussion has occurred, that item is placed on the consent agenda. As the format is presently proposed, it would have greater discussion and more visibility for the public. Ms. Patchak-Layman felt it was important to have the discussion at the Board of Education table, but noted that often the conversations and testimony that comes forward is not always included in the discussion at the Board of Education level. Board of Education members will say they cannot make a decision at that point.

Dr. Millard was unsure what recommendation she would expect from the staff on this issue, as the District is continuing a two-pronged approach with mediation as well as information relative to outsourcing and it has not made a decision to outsource custodial services. She was unsure of what recommendation could be made at this time. Ms. Patchak-Layman noted that her concern was not about receiving a recommendation, only that the process of discussing and voting in the same meeting was different.

Dr. Lee noted his frustration on how the time was being spent at this meeting. He wanted to finish the entire overview of the proposals and leave appropriate time for the PEG Committee and the Special Board meeting. He asked everyone to be aware of the constraints on his/her time.

Thus, the Committee members moved into a review of the proposals.

Review of Proposals

GCA Services Group

Ms. Witham highlighted the information on GCA Services Group (GCA). GCA is a national firm with a local presence providing services to over 1,400 K-12 schools and 36 colleges/universities in the United States and Puerto Rico. Over 300 of these institutions are in Illinois. GCA's average client relationship is 10 plus years and it has a 99 percent retention rate in their public education sector. GCA employs 20,000 people and cleans over 650 million square feet daily. A regional office is located in the Chicago area. GCA provides its employees an impressive training and evaluation program. It also provided a very detailed timeline for a transition program and received very good references regarding the transition program. GCA will also provide a recycling program for the District, which would be an enhancement to the current situation, and it would offer an energy savings program at no additional cost to the District. GCA received the highest scores in reference checking of the group and the highest technical scores.

GCA uses the KaiVac system, which is a mechanized cleaning system providing higher quality cleaning and higher efficiency cleaning in restrooms and other hard surfaces. OPRFHS also uses this system. GCA focuses its services on safety and accident prevention, which would also be a valuable addition to OPRFHS's program. The J-Fill Green program is compatible with OPRFHS's current dispensers. The District has highly rated the proposed cleaning equipment, and products, and they meet District guidelines. GCA provides an excellent quality control program utilizing GCAware software that collects data about inspections and client feedback. Virtually anyone in the building or community with internet access can provide feedback to OPRFHS and GCA using this tool. It also tracks employee progress and performance.

GCA provided a basic proposal and two alternate proposals. All of the proposals provide the same employee benefit package. The differences were the staffing proposals and the wages proposed. Three opinions were received from OPRFHS's law firms about the wages that says the law speaks clearly about the benefits but not the wages. GCA also provides a broader opportunity for employee advancement and transfer to other sites. The employee training and safety program is superior to the District program.

GCA provides greater health benefits than OPRFHS has, e.g., vision care, hearing aids, MediCall and MaterniCall nursing assistance. In addition, the co-pays are lower and some deductibles are lower. The mental health coverage is expanded, and so is the chemical dependency coverage. The retirement benefit is a 401 (k) plan with an employer match. The employer match is an added benefit not currently available to employees. It does not offer tuition reimbursement, but its employee training program and advancement opportunities is much greater. The vacation days are less, and the employer provided life insurance is less, but GCA offers supplemental life insurance. Taken as a whole, the District deems the benefits package to be comparable. The District benefit package with some things better and some things less.

The difference in the base proposal and Alternate 1 and 2 concern staffing design and salaries paid. The District is free to choose either of these options if it deems the benefit package to be comparable. The base bid provides four (4) day custodians at \$20.00 per hour, twenty-four (24) night custodians at \$20.00 per hour, four (4) additional night

custodians at \$10.00 per hour, one manager, and one night custodial supervisor. The Alternate 1 bid provides four (4) day custodians at \$23.24 per hour, twenty-four (24) night custodians at \$23.24 per hour, four additional night custodians at \$10.00 per hour, one manager, and one night custodian. Alternate II provides thirty (30) night custodians and four (4) day custodians at \$13.00 per hour, one (1) manager, and one (1) night custodial supervisor.

The estimated three year savings of the GCA proposals for the District range from \$759,050 - \$2,506,015.

Mr. Lanenga reported that the references affirmed that GCA did a great job during the transition process, and in one district, it brought in ninety (90) employees in one month. Subsequently, there was no turnover of personnel in the second year. Both lower-level and district-level management employees were very pleased with the communication with GCA. All references had wished they had outsourced sooner because it made their jobs easier, as they no longer have to supervise the employees. Mr. Lanenga continued that one of the districts had gone to outsourcing two (2) years ago, one had gone three (3) years ago, and one had gone twelve (12) years ago.

Dr. Millard asked for clarification on the staffing levels GCA provided in its proposals, she wanted the GCA to tell the District what was needed. Ms. Witham stated that operationally there are many ways to clean the building and different organizations find efficiencies at having staff work at different times, thus, limiting overtime. The District assumes that they do this work full time and national firms do it well; they know there are several ways to do it in different cost structures. The Board of Education does not have to decide which staffing is efficient for that organization; the bigger decision is regarding the benefit levels and whether the Board of Education was comfortable with that and the savings received. Every Board of Education member will focus on something different in the proposal. Mr. Rigas remarked that these vendors have expertise in doing this in hundreds of buildings across the country. OPRFHS gains its experience from inside only one building and each of these firms has more collective experience than OPRFHS, which is a side benefit to this process. After reviewing the numbers, Mr. Lanenga pointed out that the staffing numbers in each of the proposals was similar.

Ms. Patchak-Layman agreed with Mr. Rigas' statement about these companies experience, as all of the things that have been admirable about them were their management responsibilities, not the employee responsibilities. As she reads the contracts, OPRFHS employees have little control over the things for which GSA is noted. These are management activities. There are two parts of this bid: 1) the management function of it and 2) the employee function in terms of salary and benefits. Regarding the comparison, yesterday she asked Ms. Witham about the salaries and benefits to the District's comparison group and it was pointed out that for FY 2010, 2011 and 2012, the basis of salary comparison is an increase of 5 percent in salaries per year, which was built in to comparison model. The FY 09 salaries should be the same as the FY 08 salaries. Ms. Witham pointed out that there was a 4 percent increase in the cost of medical benefits because the District had open enrollment in January and there was a migration to

the family plan. Even with no salary increase, the actual cost for 2009 was higher. Ms. Patchak-Layman noted that it looked like a \$60,000 salary increase, but she wanted to see the assumptions that were built into it. Ms. Witham noted that the Board of Education was being presented with the best information available, and as more information was received or if the Board of Education wanted the assumptions changed, she would definitely do that. Mr. Rigas suggested that SEIU tell the Board of Education what assumption to use. Ms. Patchak-Layman stated that the comparison should be no increase this year, because the District is holding the salaries currently in place. Mr. Rigas cautioned her about contract offers at the table. Ms. Witham responded that just because this is the current reality, it might not continue to be the reality. She asked the Board of Education for direction as to what to provide. Ms. Patchak-Layman noted that the current reality was zero and that, theoretically, the District could operate that way for years under the contract that ended in 2008. She stated that 5 percent was fiction as there had been no discussion; the PMA model is 3 percent. Mr. Rigas asked her to be specific about what percentage to use and to ask SEIU what percentages it would suggest be used so that an apples-to-apples comparison could be made. Dr. Lee stated that the District has no way to know what the costs will be in the second or third year and the Board of Education must make decisions as best it can. Dr. Millard asked Ms. Patchak-Layman if she wanted different percentages. Ms. Patchak-Layman wanted to see a range of percentages and assumptions about the deficit in 2017. Ms. Patchak-Layman provided no parameters.

Ms. Patchak-Layman asked what vacation pay would be located in the management and custodial cost schedule and proposed contract places of the base bid. She asked because when one multiplies 2080, the full-time equivalent for a year of service, it is a higher figure than what is listed in the column. She asked where it was. Ms. Witham noted that either the vendor made a mathematical error or it added the vacation into that figure.

Ms. Patchak-Layman stated that when comparing GCA's health benefits to the OPRFHS benefits, HMO payments would increase \$787 per year. When the salaries are \$24 per hour, that is not such an increase, but when the salaries are \$13 per hour, that makes a bigger difference to an employee. When one looks at comparables, one has to look at the salary. If the salary increases and medical care goes up that is different and less comparable in her mind than when salaries remain the same and medical care increases.

Ms. Patchak-Layman noted that the contract would be for whatever wages were chosen; every employee that comes in the building will be making those hourly wages. If the contract is for \$20 per hour as is the base contract, whether it is OPRFHS employees or new hires, will all be making \$20 per hour if they were part of the 24 night custodians. Ms. Witham did not know the answer to that question. It is clear that OPRFHS currently has twenty-eight (28) employees and twenty-eight (28) going forward, and they would be making \$20 per hour. When asked if the vendor decided to increase staff, would it be required to pay the same wage, Ms. Witham noted that the law does not speak to wages and a guarantee of wages. That would be a question for the Board of Education as to how it wanted the contract worded. Ms. Patchak-Layman asked if the employees who were given the option of going to work at another location would have this same salary.

Ms. Witham responded that it would be at the discretion of the company. Some of Ms. Patchak-Layman's interest in this is was that if the Board of Education were approving a contract based on the idea that these were the salaries going forward, where the savings would be. In fact, one vendor talked about savings by attrition. Should 28 employees decide not to remain at this building and 28 new employees were hired, what would they be paid? Would any person who had not been an OPRFHS employee revert to another dollar amount and would the taxpayers be getting really good value or supplementing the profit margins of the other company? Mr. Rigas noted that he had no need for that information if the taxpayers were saving money. Ms. Patchak-Layman responded that she has an obligation to see that the employees in this building were treated fairly and justly. Ms. Patchak-Layman added that if the Board of Education were going to accept the contract, it would be agreeing to that contract because of the documents it now has. She wanted to know how "good and fast" was that rule. Does that mean all 28 employees will make the wage that is part of this bid? Dr. Millard responded that even if the wages remained the same, an employee could get far more health benefits and come out ahead. It is difficult for the Board of Education to ensure that the overall comparables should be similar, but individually it will vary, just as it does now. Dr. Millard asked what additional information Ms. Patchak-Layman needed to determine if GCA benefits were comparable.

As Ms. Patchak-Layman looked at a \$780 increase in medical expenses and compares that to whatever salary amount, she knows that one would have to go to the doctor 150 times to make up that difference. Dr. Millard said that would depend upon the individual's needs. Ms. Patchak-Layman concurred and asked if this conversation was mostly on the base bid? Ms. Witham stated that the Board of Education just needed to look at the benefits. Ms. Patchak-Layman did not believe that the benefits on Alternate 2 were comparable. If a person receives \$13 hour and has to pay higher medical expenses, that is not comparable. It is a matter of determining what the benefit offered is and what the cost of that benefit is to the employee. Mr. Rigas stated that one has to look at the comparability of the benefit not in relationship to the salary. Mr. Keller concurred and went on to add, "The comparability analysis is a pass/fail test. Either the proposals from the vendors are comparable to what the current employees were receiving or they were not. That is a judgment for the Board of Education to make. Once the Board of Education determines that the benefits are comparable, then the Board of Education can analyze the cost savings to the District from each of the proposals; wages are not part of the analysis of the comparable benefits. There is a distinction between wages and benefits. The comparability analysis only pertains to fringe benefits, not to wages. The Board of Education only needs to make the initial decision as to whether Vendor A's benefits are or are not comparable. If they are, then put that proposal into the mix for consideration."

After this explanation, the Board of Education members individually indicated their decision on the comparability of each of the four vendors.

GCA

Ms. Patchak-Layman believed that the health, vacation, and retirement benefits were not comparable. She wanted to know what the vendors would provide toward the employees' retirement account. Presently the school puts money into IMRF and Social Security for these employees. Health, vacation, and the contribution to the 401(k) retirement account are not comparable. While the District funds IMRF, Ms. Witham noted that this was a state program. The 401(k) is what industry offers as it cannot offer a 403(b) Program. Most companies offer a defined contribution plan and not a defined benefit plan.

Ms. Fisher stated her understanding of the comparable benefits to be that one would be looking at comparing the overall array of benefits from one institution to the other. If the legislature had intended that each benefit be equal, there would have been no ability to switch vendors without having an identical set of benefits. She noted that Ms. Patchak-Layman had pointed out that some of the benefits were less advantageous than OPRFHS's benefits, but some benefits OPRFHS did not even offer. In order to make determination of comparability, the Board of Education would look at the overall comparability. OPRFHS does not presently provide vision and hearing aids in its benefits. Someone may not consider it advantageous to have the benefit of having hearing aid coverage, but some with a hearing problem would and an employee faced that just recently; it was a huge concern. She asked if that was an accurate view of comparable benefits. Paul Keller responded that it was; the Act requires that the vendor provide a benefits package that is comparable to that offered by the school district, not that it is identical to the school district's and that it would be impossible to do, as a private vendor cannot offer IMRF benefit; those benefits are only available to governmental employees. A private vendor can offer a comparable retirement benefit in terms of cost to the employer or a benefit to the employee. Clearly, it does not require identical benefits in each and every category.

Dr. Millard felt GCA's benefits were comparable but she asked if an individual could challenge its comparability even if it were comparable for the rest of the group. Mr. Keller did not think the question would arise, as an employee would either take the job or not take the job. Mr. Rigas rephrased her question. He stated that the Board of Education is required to make a finding of fact. That could be challenged. If one looks at the benefits of a group as whole, they could be deemed comparable. One person may show individually that it would cost that person more money, but for the group of the whole, the benefits would be comparable

Mr. Allen, Ms. Fisher, Mr. Rigas, Dr. Lee, and Dr. Millard felt that the benefits of GCA were comparable. Ms. Patchak-Layman did not.

Sodexo

Ms. Witham summarized what Sodexo offers in benefits. It includes more health insurance options with lower co-pays, enhanced mental illness services, and vision care. Sodexo will waive the 90-day waiting period for current District employees. The tuition reimbursement is larger. It also offers eldercare reimbursement, savings bonds, stock options, and a credit union. The 401(k) plan is comparable to the District 403 (b) plan.

The employer match and the addition of the stock option plan enhance this benefit. Sodexo provides employees with an excellent training program and an advancement program within the firm.

Ms. Patchak-Layman felt that someone making \$22,000 would not take advantage of stock options. Mr. Rigas clarified for her they would not have to pay for the stock option. HMO coverage will cost \$1400 more per year because OPRFHS charges is \$900 and it has an unusual \$500 annual deductible. Ms. Patchak-Layman noted that the life insurance is the same as GCA's, and, in this case, it would come closer to matching the annual salary, as it was so low. Although more sick and vacation days were added, the benefits were not comparable. While Mr. Rigas felt the conversation should focus on the benefits comparability and talk about salary later, Ms. Patchak-Layman stated that salary could not be removed from the discussion.

Mr. Allen, Ms. Fisher, Mr. Rigas, Dr. Lee, and Dr. Millard felt that the benefits of Sodexo were comparable. Ms. Patchak-Layman did not.

Mr. Allen, Ms. Fisher, Mr. Rigas, Dr. Lee, Ms. Patchak-Layman, and Dr. Millard did not feel that the benefits of Perfect Cleaning were comparable.

Mr. Allen, Ms. Fisher, Mr. Rigas, Dr. Lee and Dr. Millard did not feel that the benefits of ALPHA Cleaning were comparable. Ms. Patchak-Layman did feel that ALPHA's benefits were comparable.

Ms. Patchak-Layman noted that the benefits listed by ALPHA were comparable to what OPRFHS has in place. Dr. Millard pointed out that it has no PPO option and it did not offer training. Ms. Patchak-Layman felt that presentation was comparable.

Ms. Witham concluded that the District would now concentrate on GCA and Sodexo as to what they have to offer and their pros and cons. She asked Board of Education members for the questions/information they wanted from the vendors.

- A one for one comparison to information is on Page 7, Expense Categorization.
- If someone left, what would the new rates be?
- What effect would transferring to another building have on wages and benefits?
- What would new hires receive in salary?
- What is the total number of custodians in their organizations and what is the turnover rate based on? What were the rates in the local community? Pull the administrations out of this equation. (It was noted that they had not been included.)
- What is the longevity of employees in the company?
- What is the hiring policy on diversity, including gender, and to separate out the custodial staff?

Ms. Patchak-Layman questioned the definition of accepting a proposal either in whole or in part. What were the parameters, as there were no addendums with the bid package?

When it is a full package like this, what would the Board of Education envision in whole or in part? Many items were management related that involved supervision, ways of tracking surveys, how people view the service, how training is conducted, etc. Is it possible to separate those things out from the proposal? She suggested that the Board of Education could implement the management part and keep the employees the same. Alternatively, it could separate the class of activities, including supplies. Mr. Rigas did not believe the proposal would include just getting the supplies, etc. Mr. Keller concurred. If Ms. Patchak-Layman meant accepting the Sodexo supervisory component and yet keep the District's current employees, Mr. Keller felt a different bid would be needed. If the District wanted to hire an independent contractor to supervise District employees, it would be a different issue. Ms. Patchak-Layman noted that many of the positives in the application were management in nature and the employees do not have control over them. There are costs contributed to them in the contract.

While Ms. Patchak-Layman also asked what kinds of administrative costs does the District have and expect that it will not have if the bid packages are accepted. What other cost savings or additional costs would the District incur if one of these contracts were accepted? Can the District eliminate another type of person other than soft costs? Ms. Witham asked for clarification, noting that the District would not release a payroll person but asked if Ms. Patchak-Layman was referring to what savings would be incurred because Mr. Lanenga or Mr. Zummallen would not have to do them.

Ms. Patchak-Layman offered that the Board of Education have additional discussion before the Thursday, March 26, Board of Education meeting, but scheduling was an issue. While Mr. Rigas was willing to convene a Finance Committee at 6:00 p.m. on Thursday, March 26, Ms. Patchak-Layman felt that might not be enough time for discussion. Ms. Patchak-Layman asked that minutes of the Finance Committee meeting be included in the Board of Education packet for review prior to its discussion.

A summary of the questions for the administration to explore with the vendors before the March 26 Board of Education meeting is as follows:

1. An itemization of each expenditure category and account encompassed within the Total Cost of Services proposed in Section P, Pricing Schedule, for each of the three years. Itemization should include, but is not limited to:
 - a) Supplies and equipment
 - b) Salaries and benefits
 - i. Salary
 - ii. Health insurance
 - iii. Life insurance
 - iv. Retirement plan expenses
 - v. Other salary and benefit expenses not otherwise noted above
 - c) Worker's compensation premiums
 - d) Other expenses not otherwise noted above.
2. If a former District 200 custodial employee hired by your firm voluntarily transfers to a different site serviced by your firm, would his/her salary change?

3. What wage will any new hires (hired by your firm after the initial transition period) earn?
4. For each of the four references listed in Section S (List of References) from your proposal submission, the turnover rate of custodial staff for each specific customer account over for the last three complete years (2006, 2007, 2008).
 - a) Percentage;
 - b) total number of custodians at each account; and
 - c) total number of custodians turned-over at each account;For example
 - i. District 123. 2006: 3%, 100 total custodians, 3 custodians replaced; 2007: x%, xxx total custodians, x custodians replaced; 2008: x%, xxx total custodians, x custodians replaced; average custodian tenure for this group: x years.
 - ii. District 321. 2006: 3%, 100 total custodians, 3 custodians replaced; 2007: x%, xxx total custodians, x custodians replaced; 2008: x%, xxx total custodians, x custodians replaced; average custodian tenure for this group: x years
5. The same information requested in item #4 above for your entire custodial staff employed in North America.
6. What is the average length of tenure for all custodial employees working for your firm in North America?
7. Your company's policy on diversity (ethnic and gender, if applicable) hiring for custodial staff
8. Provide specific information for the 401(k) (employer match, employee maximum contribution, etc.) and/or stock option plan listed in your proposal.

Adjournment

The Finance Committee adjourned at 10:14 a.m.