

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

**FINANCE COMMITTEE MEETING**

Tuesday, October 14, 2008

A Finance Committee meeting was held on Tuesday, October 14, 2008. Chair John P. Rigas called the meeting to order at 7:36 a.m. in the Board Room. Committee members present were Jacques A. Conway, Valerie J. Fisher, Dr. Ralph H. Lee, Sharon Patchak-Layman, and John P. Rigas. Also present were Dr. Attila J. Weninger, Superintendent; 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; Doug Wiley, Supervisor of Finance; Donna Sebestyen, OPRFHS Coordinator of Benefits; James Paul Hunter, OPRFHS Faculty Senate Executive Committee Chair; Tim Cole and Joe Lightcap of Virchow Krause (departed at 7:45 a.m.); and Catherine Loney of GCG Financials (departed at 7:58 a.m.).

**2007 Audit Report**

Ms. Witham explained that Tim Cole, Audit Partner of Virchow Krause, was available to answer any questions regarding the Audit Report prepared by this firm.

Mr. Cole explained

- 1) The delay in providing the June 30, 2007 audit was due to the problems with the Cicero Township Treasurer's office;
- 2) OPRFHS was at the top of the curve in its fund balance which should last, potentially, for ten years;
- 3) The statistical information provided on pages 76 and 77 of the Audit pertained to the referendum cycle and showed where the District is going and where it had been. It is important to keep the slope of the decline in fund balances as gradual as possible. The District has done the best it could under the system used in Illinois;
- 4) The governmental statements on pages 18 and 19 show the individual funds. It is important to keep these funds separate, as the District has done, and to maintain these fund balances, as taxes come in erratically.
- 5) The District had done a good job of paying down its debt and is in very good shape financially. School boards often ask what can be done with respect to their finances. The important thing is to watch is the head count. Most of the school's budget consists of personnel-related expenditures and the Board of Education must manage that number, as it is the number one driver of costs.

Mr. Cole reiterated that the rules with respect to auditing had changed and had become more strident. He provided a two-page letter, noting only one material weakness comment, the least number of comments made to any other school district. The comment was as follows:

“OPRFHS District 200 maintains its general ledger on the cash basis of accounting and records modified accrual adjustments at year end to prepare GAAP basis financial statements for external financial reporting. During the course of our audit, it was necessary to make adjustments to accounts payment and replacement tax revenue to properly state these balances at year end. Because the District’s internal controls did not detect these misstatements, we are required to report these adjustments as a material weakness.”

He noted that it was a mild comment and the result of the rules changing, and clearly not because of a decline of the Business Office. A couple of adjustments were made to the District’s numbers to get to its financial statements ready for the external report.

Mr. Cole commended the District for doing so well. While he was working with the Business Office so as to eventually not have a management letter, it would be difficult because of the size of the District. He stated that the cash basis monthly reports reviewed by the Board of Education were accurate and that this adjustment affected the modified accrual basis financial statements only.

No discussion ensued.

### **Medical, Dental, Life, and, LTD Insurance Renewals**

It was the consensus of the Finance Committee members to recommend to the Board of Education that it approve the insurance renewals at its regular October Board of Education meeting.

Ms. Loney of GCG Financial, the District’s insurance broker, prepared information for the insurance renewals effective January 1, 2009. The renewals for Blue Cross/Blue Shield and Delta Dental were exceptionally favorable and indicate the success of the change in benefits negotiated with the faculty. Bids have been solicited for the Life and LTD coverage. Thus far, the results indicate no increase in premium for next year and additional quotes may offer better rates.

Ms. Loney presented the following information.

#### **“Medical Plan**

“The fully insured HMO product offered through Blue Cross/Blue Shield has continued to operate in a positive fashion. The medical trend under the HMO is currently 10 percent for both HMO Illinois and Blue Advantage. The pooling level for these products is set at \$60,000. There have been no claims, which exceed this amount in either of these products. However, higher physician service fees, which are increasing 3.1 percent, have

been the primary force behind the renewal increase. Through the Blue Cross underwriting review, the underwriters are requiring an increase of 3.2 percent to the current premiums.

“For an added savings, Blue Cross recommends that the school district emphasize that 61% of the members in the HMO Illinois plan are currently utilizing Blue Advantage providers. Each year, we have brought this to the insured’s attention during open enrollment; however, minimal movement has taken place due to limited financial impact of their choices.

“The self-funded PPO product continues to operate in a strong financial position. Medical and prescription drug claims make up the majority of the plan costs. Projections were completed by GCG Financial using a 10 percent annual trend for medical claims to estimate expected claim exposure. A comparison of the expected claim experience to the aggregate attachment point provided by Blue Cross indicated GCG’s claim projections to be comparable.

“Additional fixed costs include the individual and aggregate stop loss insurance. Blue Cross renewed these policies at a 1.6 percent decrease to the premium for the \$100,000 specific stop loss attachment point contract. In addition, Blue Cross did not increase their claim administration or access fees for calendar year 2009. GCG Financial increased their benefit consulting fees by 2 percent from \$9.60 to \$9.79 per covered employee per month. Total projected PPO medical costs are 2 percent lower than 2008 costs.

“Similar projections were completed for the prescription drug component of the plan, using a 10 percent trend factor, provided by Drug Card, Inc. Total projected drug costs produced an increase to the PPO product of 4.1% and no increase for the HMO product.

“Based on the reserve analysis, comparing actual reserves at August 30, 2008 to target reserves, no additional provision for reserves is included in the 2009 premiums. Finally, no increase is being imposed on the high deductible plan to continue to encourage individuals to participate in this cost effective program.

#### “Dental Plan

“The Dental plan, administered by Delta Dental, continues to be a comprehensive dental plan with high utilization of in-network providers. Though the cost of dental services continues to rise, 41 percent of the dental claims have been for preventive and diagnostic procedures. The average claim payment for the past 12 months has been \$188.21 in comparison to Delta Dental block of business average of \$139.70. However, due to the high level of in network utilization, 86.9%, the pre-negotiated discounts applied to charges and the accumulated reserves allow the school district to continue at the current rates for an additional year.

#### “Life and Accidental Death and Dismemberment Plan

“Currently, the school is completing the multiple year contract through Principal. The initial renewal has been received, noting \$197,000 in terminal claims and \$30,000 in

dependent claims, creating an 83 percent loss ratio. The renewal action required by Principal is from \$.14/\$1,000 to \$.17/\$1000 for life coverage. Requests for competitive quotes have been submitted to Assurant, Guardian, Hartford, Lincoln Financial, Madison National (National Insurance Services), MetLife, TruAssure and Unum. Competitive quotes have been received by Madison National Life (National Insurance Services) and MetLife. Principal has requested competitive results for reconsideration to their renewal rate.

#### “Long Term Disability Plan

“The District is also completing the multiple year contract through Principal for long-term disability coverage. The industry experience has increased for this product and Principal responded with an increase from \$.09/\$100 of benefit to \$.11/\$100 of benefit. However, the experience is not supporting the increase. The claims have been \$13,000 compared to \$45,000 in premium collected. Competitive quotes have been received by Madison National (National Insurance Services), with additional quotes received from EPIC, Hartford, MetLife, and Unum. The primary difference in the carriers is whether underwriting has the ability to understand and integrate the IMRF coordination of benefits.

“Ultimately, the renewal process has been very positive for calendar year 2009. The industry trends continue to decline and with the District’s financial strength of established reserves, positive claim experience, OPRFHS has been able to control its overall benefit plan costs.”

Discussion ensued.

Q: Is the excess reserve held or redistributed? Is there some point at which the District can do something with those funds?

A: The philosophy is that if there are extra funds they will be used to decrease premium over a two-to-three year period. OPRFHS is newly self-funded and the District wanted to get to this level of reserve as quickly as possible. OPRFHS will not redistribute these funds. Ms. Loney added that a true self-funded plan is when the entity is in control of its plan. She used the example of when mental nervousness becomes a benefit that must be provided; it will cause an increase to the overall premiums. When the recommendation is to implement a 10 percent increase, this money can be used to control that. As such, OPRFHS will be over the \$500,000 target if everything stays the same. OPRFHS was able to leave the premiums almost flat; the reserves also earn interest income.

Q: Is the school attempting to get more people on the HMO plan.

A: Each year, Blue Cross/Blue Shield is asked to look at the doctors used in the different plans. GCG and the District are working toward offering individual discussions. Sixty-one percent of the employees enrolled in the PPO plan could actually be enrolled in the lower cost HMOs, as their doctors and facilities are included in this program. OPRFHS is not changing the rate on its high deductible plan and there has been talk about saving those dollars for future expenditures.

The District plans to have individual counseling sessions to give individuals an overview as to how the employee uses his/her medical plan and what the best plan is for him/her.

### **Acceptance of the Finance Committee Minutes of September 16, 2008**

The Minutes of the September 16, 2008 Finance Committee meeting were accepted, as presented.

### **Beverage Contract**

It was the consensus of the Finance Committee members to recommend to the Board of Education that it approve the contract with Coca Cola Company at its regular October Board of Education meeting under the Consent portion of the agenda.

The contract is for a term of five years, which is the same term as the last contract. The sponsorship funding (rebate) of \$50,000 will be received as cash payments of \$10,000 per year; these payments will be treated as revenue in the Food Service Fund and used to drive down the price of lunches.

### **Security Contract**

It was the consensus of the Finance Committee members to recommend to the Board of Education that it approve the contract with Securalex Company at its regular October Board of Education meeting under the Consent portion of the agenda.

Securalex presented a two-year renewable contract that reflects the same price as last year and the terms will remain the same as the previous contract.

Ms. Patchak-Layman asked if this company shared in the responsibility of costs when it was on duty, e.g., cleaning up the graffiti? Ms. Witham replied negatively as this building is over 1,000,000 square feet and this firm cannot be in every area all of the time. This company has provided excellent service for the District.

### **Aid to Needy Children Report**

Ms. Witham provided the following report on Aid to Needy Children.

“Recommendations for financial assistance for books and required supplies for needy students are processed through the Business Office. The requests for free and reduced lunches are originated by parent applications. The Food Service Department processes the Free and Reduced Lunch Program applications. All approved applications must meet government guidelines. The reimbursement received from State and Federal governments helps to defray the cost for the total lunch program.

I. Free and Reduced Cost Lunch Program

A. Free Lunch Program

2007-08	410	Students participated
2006-07	350	Students participated
2005-06	345	Students participated

B. Reduced Cost Lunch Program

2007-08	92	Students participated
2006-07	100	Students participated
2005-06	67	Students participated

II. Deferred Payments

Students and their parents request a deferred payment for books, supplies, and fees. This is available to all families upon request.

2007-08	631 Recommended	
	Balance Outstanding as of 6/30/08	\$13,428.97
2006-07	595 Recommended	
	Balance Outstanding as of 6/30/07	\$24,317.30
2005-06	452 Recommended	
	Balance Outstanding as of 6/30/06	\$ 9,057.60

NOTE: Families receive monthly invoices.”

Ms. Witham explained that these figures represented what was outstanding as of June 30 of each year. Ms. Witham agreed to calculate how much of the yearly outstanding balances were yet unpaid, i.e., how many of the 595 in 2006-07 were included in the 631 in 2007-08.

Previously students were prohibited from attending school for up to 10 days after the school year started if their fees were not paid. As the District became more liberal in allowing families more time to pay their bills and to get the students in classes, the balances have increased. The question becomes what should the school do about that? What should be done at graduation? Presently, students are not allowed to walk in the graduation ceremony and extra tickets are not provided to them if their obligations are not paid off.

Q: If a family had a change in status and now qualifies for the Free and Reduced Lunch program, but had an outstanding balance from the past, how is that handled?

A: A change in status would not affect previous year's balances, but if the change occurred shortly after the beginning of the school year, the District will waive the current fees. Fees due to lost books are never waived.

Q: Would not all who qualify for the Free and Reduced Lunch Program also qualify for free schoolbooks?

A: If requested, there will be no charge for the books. The Food Service Director is aware of the students who qualify for this program, but is prohibited from sharing

that information. Thus, students might pay for their books. Ms. Patchak-Layman suggested bundling the application for the Free and Reduced Lunch Program with the Bookstore information.

### **B&G Staffing**

Mr. Lanenga provided the evaluation of a .5 FTE B&G custodian position that was approved by the Board of Education last year. While the original proposal requested a 1.5 FTE, it became obvious that the 1.0 position would be difficult to justify and thus the position was not added. The goals to justify the .5 TE position were:

- Reduce the line item related to landscaping by \$30,000;
- Increase the amount of rental income received by the District;
- Decrease the amount spent on Facility Attendants;
- Decrease B&G overtime; and
- Improve weekend services.

Mr. Lanenga reported

- 1) The line item for landscaping had been reduced by \$30,000;
- 2) The amount of rental income received was increased by 88 percent;
- 3) The amount spent on facility attendants was decreased by 23 percent;
- 4) The decrease in B&G overtime was \$13,000 less than last year;
- 5) While not being able to measure exactly if weekend services had been improved, having another person in the building on the week had been a plus. Not only were there savings on overtime for Saturday games, activities, events, etc., there is a visible presence in the building on Sundays.

Discussion ensued.

Q: Could the same activity be done by paying overtime at a lesser cost?

A: No, because this person was already receiving benefits and working 22 hours, so only 18 additional hours would be added. The 22-hour position would be eliminated. Thus, if this person left, a 1.0 FTE would be hired.

Q: Can the same amount of money be saved the second year, etc.?

A: Yes, because the amount spent on overtime and facility attendants will decrease.

Another benefit to having this person is that this person will be responsible for forty-five (45) recycling containers, which means bringing them to the loading dock, emptying them, and returning them, in addition to cleaning the hallways, on the weekend. This is something that had not been done previously.

It was the consensus of the Finance Committee members to support the recommendation that the position be made permanent.

## **Levy Timeline**

The Preliminary Levy must be placed on display no less than 20 days in advance of adoption. The Board of Education will adopt the 2008 Levy at its regularly scheduled Board of Education meeting on December 18, 2008. A Truth in Taxation Hearing will be held at the regularly scheduled Board Meeting on December 18, 2008.

## **Timeline for the 2008 Levy**

Ms. Witham provided the Finance Committee members with the 2008 Levy Timeline.

October 14	Finance Meeting	Present Levy Timeline
November 12	Finance Meeting	Present Preliminary Levy
November 20	Board of Education Meeting	Adopt Preliminary Levy
November 20		Preliminary Levy on Display
December 18		Notice of Truth in Taxation Public Hearing in local newspaper
December 18	Board of Education Meeting	Truth in Taxation Public Hearing
December 18	Board of Education Meeting	Final Adoption of Levy
December 19		Board of Education Resolution filed at Cook County Clerk's Office

The challenges next year will be to determine what the Village of Oak Park will do with the TIF and the carve outs. Ms. Witham felt that the District should set the levy high expecting that the Village will carve out property, although the Village cannot provide that kind of information at this time.

## **Budget Cycle**

The discussion of the budget cycle will be tabled until the next meeting.

Ms. Patchak-Layman asked where the construction activity and the financial office bidding activity fit into the schedule. Ms. Witham replied that Wight handles the bidding on Life Safety projects, etc. Dr. Weninger added that the process was being reviewed and could be discussed as part of the budget timeline. Ms. Patchak-Layman noted that budget timeline had to piggyback with the goals of the District as well.

## **Treasurer's Report**

Ms. Patchak-Layman noted that on page 3 of the Treasurer's Report, a Harris CD is listed as receiving zero percent interest. Ms. Witham stated that the average CD was paying in the two-percent range and that she would revise this report.

## **Adjournment**

The Finance Committee adjourned at 8:28 a.m.