

TO: Board of Education
 FROM: Dr. Philip Bender and ESC Team
 DATE: August 20, 2012
 RE: Administration Response to Community Finance Committee Reports

Background

This memo is intended to offer the administration's recommendations for further action on the reports prepared by the Community Finance Committee (CFC) this spring. As you recall, CFC was reconvened in January 2012 after a short hiatus and was tasked with researching five study areas approved by the Board. Initially about 40 volunteers participated, coordinated by Community Coordinators Ares Dalianis and Genie Taddeo.

The five areas include:

1. Enhancing taxpayer education tools
2. Reviewing assumptions in the District's 10-year financial model and developing alternate scenarios
3. Increasing financial transparency by enhancing the District's financial reporting
4. Refreshing a CFC student fees study from 2009 that adjusted the District's fee structure, and
5. Identifying borrowing options and budget impact as the District develops its maintenance priorities and new facility master plan.

The Board of Education received reports from all five areas this spring at two Board meetings: May 21 and June 25. All the reports are available on the CFC page of the District 64 website, and videos of the Board meetings also may be viewed.

The District 64 administration has met to review the reports, and is presenting guidance on the various recommendations made in each study. In addition, we have offered next steps and a timeline to work cooperatively with CFC on implementation or when further research is planned.

Overall, the reports offer many helpful recommendations, and we look forward to continuing to work with CFC in coming months as these ideas are implemented. We would like to thank all the members of CFC for their diligence in carrying out the research, and look forward to continuing this productive partnership.

Response to Study Group #1 – Taxpayer Education

- Administration supports the recommendation as presented to create a series of new web pages under a new "District Finances" link. This will provide a handy gateway to key statistics about the District's financial picture.
- Administration also agrees that the Education Finance Fact Book should be temporarily disconnected, while chapters are updated and then brought back online.
- Public Information Coordinator Bernadette Tramm and Assistant Business Manager Brian Imhoff will work with CFC on this effort, which is slated for fall 2012.

Response to Study Group #2 – 10-Year Financial Projections

- Administration believes the CFC's work in this area will continue to provide helpful modeling of the sensitivities of various scenarios to the District's long-term financial forecast.

- We recommend that this CFC group be asked to provide further input on the assumptions to be used in the annual updating of the District's StratPlan financial model, which can be discussed with the Board at the October 22 Committee-of-the-Whole Finance meeting. The Board is scheduled to review the 2012 levy at that meeting, so this topic would be a good companion. The Board will review the StratPlan update in February 2013.
- Business Manager Becky Allard will be the liaison for this work.

Response to Study Group #3 – Financial Transparency

This report had several components, and administration's recommendations are noted as follows:

- **Topic 1 – Budget & Levy Hearings**

A – Budget Calendar – Administration will move forward adoption of the tentative budget to occur before June 30. However, administration recommends that adoption of the final budget remains in September as required by law. Administration believes this timeline provides the most accurate tool possible for the Board and community, and offers a better roadmap for administrators, the Board and community to monitor progress each month. The main driver for this timeline is the ability to utilize June 30 actual revenue and expense information from the fiscal year just closed, along with final staffing due to actual enrollment changes at the opening of school. If the Board would prefer to adopt the budget in its final form in June as CFC recommends, it is highly likely that at some time during the school year the District would have to re-adopt the budget to reflect the important missing information. Re-adoption would necessitate newspaper publication and notice requirements, a public hearing and action at a Board meeting.

B – Tax Levy Hearings – Administration has already altered the process for the coming year to schedule the first Board review in October, a public hearing in November, and Board adoption in December. This will provide a three-month window for community input and Board review.

- **Topic 2 – Published and Posted Information**

This area has been addressed in-depth by Study Group #1; new or revised materials will be provided as recommended by that group.

- **Topic 3 – Reporting to the Community**

A – Annual budgets – District 64 is under a legal obligation to publish the formal budget in the format required by the state. Fund references cannot be removed from future financial statements required by the state. However, annual revenue and expenses along with the annual statement of position will be utilized in the new website pages as recommended by Study Group #1 Taxpayer Education.

B – PTO financials – Dr. Bender will share these recommendations with PTO/A Presidents at the group's first meeting on September 10.

- **Topic 4 – 10-Year Histories of Revenue & Expenditures**

CFC recommends only 5-year comparisons be provided. Administration notes that these are already routinely included in annual budget materials presented to the Board of Education.

- **Topic 5 – Projections for Future Spending**

Study Group #2 has addressed this area in-depth.

- **Topic 6 – Recurring Expenses vs. Capital Improvements**

Study Group #5 has addressed this area in-depth.

Business Manager Becky Allard will be the liaison for future work with this group.

Response to Study Group #4 – Student Fees

Administration supports the recommendation to repeat the fee study done by CFC in 2008-09. However, the District 64 standard list of comparable districts used routinely for academic and financial comparisons should be utilized as the peer group. In addition, administration believes the following guidelines must be incorporated into the direction of the fee study:

- Maintain sensitivity to the District’s dedication to educating the whole child and the need to provide encore/elective programs as part of our basic offerings.
- The goal is not to isolate any activity (music, interscholastic sports, etc.) as an independent cost center, as these are important components of our program. Fees were never designed to cover the total cost of these activities.
- Regarding transportation fees for optional, paid riders, CFC will need to review additional information provided by the Business Office on State reimbursements, ridership, etc. and recent changes to “hazardous” designations at the middle schools. Administration recommends this component of the CFC’s review be given a lower priority due to the small number of students affected compared to the basic student fees, which all students pay.
- Assistant Business Manager Imhoff will work with this group on the fee study, which we recommend be completed for presentation to the Board by January 2013.
- Administration suggests that publicity around the results of the new study will offer good opportunities to create new informational materials for parents and community members about this topic. Public Information Coordinator Tramm will be the liaison for this outreach.

Response to Study Group #5 – District Borrowing Opportunities

- Administration concurs with the recommendation that the “no tax increase” option merits more careful analysis. This option would maintain the District’s current debt service levy beyond 2016-17 – when it otherwise would be eliminated – to finance approximately \$14 million in major capital improvements identified as urgent in the Facilities Maintenance Plan. This study group did not examine performance contracting as a borrowing option.
- This fall, administration suggests that the study be updated based on future projects for summer 2013 and beyond to develop a more accurate total amount to be borrowed. The Life Safety list must be reviewed and items in the Facility Plan beyond the current top priority list also need to be ranked and tentatively scheduled to develop a better estimate of the amount and timing of needed borrowing. Funding options can then be reviewed with William Blair based on this updated information.
- Director of Facility Management Scott Mackall and architects Fanning Howey will be developing recommendations in late fall on timing and budget for the next set of projects for Board consideration after the current top priority list has been addressed.
- Business Manager Becky Allard will work with CFC on the study.

Next Steps

At the August 20 meeting, administration will seek Board approval to work with CFC to move forward on implementation as recommended above. We will coordinate with Mr. Dalianis and Ms. Taddeo to convene the CFC on Wednesday, September 12 to build upon the valuable work already completed. Groups #2 (10-Year Financial Projections) and #4 (Student Fees) will be actively engaged this fall. The remaining areas will meet as needed to review progress of implementation noted above and/or when further research can begin. We are very pleased that CFC members will be continuing their volunteer efforts, which build awareness in the community and contribute to the transparency of our financial operations while providing helpful research to the Board.