

To: Board of Education
From: John Heyde
Date: September 26, 2011
Subject: Community Finance Committee

We expect to have an update on the work of the Community Finance Committee at the October 24, 2011 meeting. In advance of that meeting, this memo is intended to provide some background information that will be helpful in considering the October update.

Background on the Community Finance Committee

The Community Finance Committee (CFC) has provided advice to the Board of Education on financial issues since 2006. The CFC is a committee created by the Board. The Superintendent is the chair of the committee, and committee members have come from a variety of stakeholder groups interested in the District, including parents, community members without children in the District, teachers, and administrators. In naming members to the CFC, the District has traditionally balanced the membership among schools and stakeholder groups, and the District has especially sought members with financial or business expertise. The result has been a balanced, dynamic group of people who have provided the District with analysis and advice on a wide range of financial issues.

Because of the importance of the CFC's work, two Board members at a time have served as liaisons to the CFC. Tony Borrelli and Eric Uhlig are the Board's current liaisons to the CFC.

The CFC originally divided itself into three study groups addressing the District's "financial structure," spend management (cost control), and communications. Each group had a group leader who coordinated the work of his or her study group and participated in a steering committee, along with the superintendent, business manager, public information coordinator, and the Board liaisons, to guide the CFC as a whole.

The spend management study group has analyzed vendor and purchase information for several school years to identify trends and target recommendations for "smarter purchasing" in the District. Past spend management recommendations have led to the rebidding of many of the District's professional services, including legal and accounting services. The recent rebidding of school bus transportation services is also the result of a spend management recommendation. The spend management study group also led a significant review of student fees in 2008-09.

The financial structure study group analyzed macro trends in the District's revenues and expenditures during a period of deficit spending prior to the 2007 referendum and evaluated several options to make the District's finances sustainable on a long-term basis. Ultimately, the financial study group recommended that the District seek a tax rate referendum, a recommendation the Board accepted and the voters approved in April 2007. The financial

structure study group also concluded that the District's finances were – and, even after a referendum, would remain – cyclical, meaning that the District's fund balance would raise after the referendum, then reach a high point, and then begin to drop again until, at some point in the future, the District would have to consider another referendum or other measures to keep its finances sustainable.

As a tool to analyze the District's finances, the financial structure study group developed a long-term (10-15 years) financial model. The study group used this tool to review the District's own financial model and engage in discussions about the right assumptions and other financial variables to use in long-term forecasts. In 2010, the District switched to its current long-term financial model, based on a template created by the StratPlan firm, and the financial structure study group conducted a focused review of the new StratPlan model.

The communications study group has provided a number of recommendations to the District on ways to communicate with the Park Ridge-Niles community about the District's finances and make the District's finances more transparent. In addition, the communications study group has taken the lead in preparing an "Education Finance Fact Book," which appears on the District's website. CFC members wrote numerous chapters for the Fact Book. Many of these chapters were completed in the 2006-2008 timeframe and are in need of an update.

CFC's 2009-10 and 2010-11 Activities

Following a November 2009 report from the financial structure study group, the Board asked the CFC for recommendations on ideas or projects that merited additional study and follow-up work. The CFC responded with a list of six recommended projects:

1. Examine the District's staffing approach for non-classroom (primarily ESC) positions;
2. Explore cooperatives and other vehicles for controlling the cost of employee benefits;
3. Investigate alternative models of providing special education services;
4. Examine additional areas of expense, including energy, professional services, transportation, and technology;
5. Investigate the feasibility of creating alternative income streams; and
6. Assist the District in monitoring the property tax environment, including variables such as Equalized Assessed Valuation, new property growth, and refunds.

In February 2010, the Board approved the second, fourth, fifth, and sixth projects, and the Board requested additional information from the Administration on the first and third projects. Ultimately, the District retained a consultant who examined ESC staffing in fall 2010. The Board tabled the third project after a series of briefings from Administration for Board members and CFC members, on the ground that the legal mandates surrounding special education made it unlikely that the District would identify ways to reduce costs significantly while keeping the same level of service for children with special education needs.

The CFC made substantial progress on these projects in spring and summer 2010, and project teams presented reports to the CFC steering committee and full CFC in August and October 2010 on:

- A potential alumni giving model as an additional revenue stream;
- Analysis of the District's StratPlan model for long-term financial projections; and
- Update on property tax environmental reporting.

Following this point, the CFC has grappled with the retirement of Craig Elderkin, a longtime study group leader, from CFC work and the untimely death of spend management study group leader Kent Bergren. Paul Sheehan, a longtime member of the CFC, stepped up and volunteered to host a series of meetings to reach out to potential new CFC members and review topics for CFC activities so that a priority list can be developed for administration input and eventual Board approval.

In the next few weeks, the CFC steering committee will consider the potential topics for this priority list, and a set of topics likely will be brought to the Board for approval at the October 24 meeting.

In addition to approving new project topics for the CFC, the CFC steering committee and, ultimately, the Board will also need to discuss and adopt a plan to reinvigorate the CFC by adding new members. The CFC steering committee will propose a plan to accomplish this at the same time the topics are brought to the Board for approval.

J.M.H.