

**BOARD OF EDUCATION
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64**

Minutes of the Community Finance Committee
held at 7:00 p.m. February 18, 2010
Raymond E. Hendee Educational Service Center
164 S. Prospect Ave., Park Ridge, IL 60068

Superintendent Sally Pryor called the meeting to order at 7:02 p.m. Also present were Board of Education members Sharon Lawson and Eric Uhlig; CFC members: Kent Bergren, Jeff Bork, Craig Elderkin, Craig Harter, Jun Lim, Paul Sheehan, Renate Stolzer and Linda Williger; Business Manager Becky Allard; and, Public Information Coordinator Bernadette Tramm.

It was noted that CFC members Leanne Barry, Jerry Kenney and Mike Calahan were unable to attend, but were expected to continue their involvement; Eileen Kelliher also was interested in doing project-specific work and Dr. Vicki Mogil would be available to brief the alumni fund-raising study group.

Dr. Pryor thanked everyone for their continuing work on the CFC and stressed the importance of the committee's contributions in helping District 64 maintain a high level of community involvement and transparency in its financial operations.

Upon motion of Mr. Elderkin and second of Mr. Bergren the minutes of the previous meeting of May 6, 2009 were approved unanimously approved.

District 64 Financial Projections

Ms. Allard reviewed financial projections prepared by StratPlan, a financial consulting firm. Although new to District 64, the firm has done forecasting and budgeting projects for other local school districts. Ms. Allard reviewed the financial projections in detail and provided copies for interested CFC members to take home and review in depth. The report had been presented to the Board of Education at a Committee of the Whole meeting on February 8. The purpose is to provide another independent review of the District's finances.

In reviewing the report, Ms. Allard noted the biggest difference in this report is the 2.7% Consumer Price Index (CPI) for 2009, which differs from the estimates used in either her own projections from September 2009 and the CFC's November 2009 projections updated by the Financial Structure study group. She pointed out the CPI charts in the study, and noted that this difference provides an additional \$2.6 million in revenue. Ms. Allard also pointed out the four "cases" presented in the StratPlan projections: base case, which takes current operations and moves them forward; a strategic staffing model that includes \$500,000 per year for five years to support educational improvements; a stagnation case that shows much lower growth in revenues for the base case; and, a rapid recovery model that shows a higher rate of growth in revenues for the base case. The report analyzes the fund balance at the close of each fiscal year in relation to the District's policy of having four months (120 days) or 33% of annual operating expenditures on hand. In all but the stagnation case, the District would meet the fund balance goal through 2016-17, which would fulfill a referendum goal of not

returning to taxpayers for 10 years for additional resources. Ms. Allard noted that the report concludes, and she concurs, that the District's actual performance would be a blend of these four cases. She stated that the financial projections would be updated regularly to reflect new information, typically when annual budgets are adopted and when the levy rate CPI is known.

Ten-Year Fund Balance Outlook and Recommendations

Mr. Elderkin reported on the follow up from the CFC projections prepared by the Financial Structure study group, which had been presented to the Board of Education in November. He reviewed the genesis of the CFC's fund balance model developed in 2006 for the Board prior to its decision to seek a referendum. This year, the CFC analysis focused on alternate CPI forecasts and the impacts of either very low or very high CPI. The study group analysis also looked at salary formulas, different rates of expenses in non-salary categories such as transportation, and the impact of a decline in the value of new property. He distributed an extract from the study showing the fund balance over time for the different scenarios. Mr. Elderkin stated the study group had concluded it was a good time to make recommendations for further review to the Board that may not yield financial results for 3-5 years. He noted that the StratPlan forecast confirms the "chronic structural imbalance" that eventually impacts all tax-capped school districts. He suggested that one CFC project this year would be to do a side-by-side analysis of the CFC model and StratPlan. In both cases, District 64 is in great shape financially now and for several years going forward.

He then described six recommendations presented to the Board as possible areas for CFC and administration to study. He noted the Board and administration are reviewing the proposal and the Board would give direction to CFC at an upcoming meeting on which items to proceed on for the coming year.

Maine Township School Treasurer Analysis and Recommendations

Ms. Stolzer reported on her research into the Maine Township School Treasurer (MTST), which she completed as part of her work on a new Education Finance Fact Book chapter on investment policy. She also reviewed District 64's investment policy, the MTST's investment policy and financial reporting control document, relevant sections of the Illinois School Code and the Public Funds Investment Act. She distributed a written report that outlined several observations and offered recommendations. She noted that although the township school treasurer structure was created by the Illinois General Assembly to provide independent checks and balances on the management of public school funds, District 64 nonetheless needs to have a thorough understanding of the nature and effectiveness of controls that the MTST implements to safeguard the funds entrusted to it.

During the discussion, it was agreed that the timing is good to make this investment process more transparent for the community. It was noted that the Township Treasurer's work is important because of the high sums entrusted for investment and the potential to benefit from interest income on that investment. Ms. Allard noted that she is one of three new school district business managers within the township, and that the group have been working with the Township Treasurer to reassess the information coming from his office and to make sure his reporting is satisfactory based on the District's investment policy. She noted that the managers are working to clarify where

the responsibility lies for each of the procedural tasks outlined in the policy. Ms. Stolzer reported that although District 64 is limited to the type of investments that can be made, there are very few investment guidelines regarding risk tolerances and exposure limits. Further discussion included questions about the impact of pooling of District 64 investment funds with funds from other districts, size of certificates of deposit, procedures for laddering of investments for cash flow needs, paper trail of transactions, and FDIC insurance of investments.

Ms. Allard stated that she and the other township business managers would continue to work with the Township Treasurer on these questions in coming months. She stated that she would request a copy of his bond to make sure he is bonded, and reported that she is able to review transactions daily in bank accounts managed by the Treasurer. Ms. Allard also has a copy of the audit of the MTST from the last fiscal year.

Dr. Pryor thanked Ms. Stolzer for her report and noted that great progress had been made in understanding investment policy and the working of the Township Treasurer. Ms. Stolzer will send the Fact Book copy to the District so it can be readied for the on line Fact Book.

Expense Trend Update

Mr. Bergren distributed a written report from the Spend Management study group. He stated that \$36.4 million of spend data including more than 12,500 line items and 989 unique suppliers from fiscal year 2008-09 had been added to the group's expense model, which now has five years of data. About 25% of the total expenses are reviewed by the CFC or about \$7.8 million. He stated the study group now needed to decide what aspects to analyze more carefully and review with Ms. Allard. Discussion included questions about various line items, including energy and transportation.

Alternative Revenue Sources

Messrs. Harter and Lim are exploring alternative revenue sources identified for further review in the CFC's December recommendations to the Board. Mr. Lim distributed a report on his analysis of leasing space at District 64 schools for cell phone towers and reviewed the potential revenue as well as current legal and health concerns. Following discussion, it was agreed that other local taxing bodies might find this a worthwhile option, but that District 64 schools would not provide an appropriate venue. Dr Pryor stated that this is consistent with a previous Board decision several years ago when the District was approached previously with such a proposal.

Mr. Harter then reported on his research into advertising revenue and sponsorships. He noted that high schools and colleges customarily have sought sponsorship for sports teams, scoreboards or uniforms, but that this would not be available for elementary and middle schools. He has talked with Dr. Ken Wallace, superintendent of Maine Township High School District 207, who stated that the district in the past had been approached about roof advertising due to the proximity to O'Hare Airport. Mr. Harter stated this might be something to look into; other avenues would be the traditional ones, such as playground equipment or sports equipment. Mr. Harter also suggested that offering naming rights on classrooms within buildings might yield some revenue. He also had talked with four districts outside Illinois who had hired an outside consultant to help them with sponsorship; the results had been good because of this

person's expertise. Mr. Elderkin noted that if you were a sponsor looking to place something at schools, you wouldn't find many opportunities so the market must not be there. Ms. Allard noted that some have looked at selling advertising space on school buses.

Based on these reports, Mr. Elderkin concluded that it was worthwhile to have studied these areas so they can be checked off the list. He noted that a fourth area – alumni giving – seems like the most likely source of new revenue; a study group will begin looking into that idea shortly.

Projects for Remainder of 2009-10

The status of projects and volunteers were summarized:

- Alumni giving – Ms. Williger, Mr. Kenney and Ms. Berry have volunteered. Mr. Harter also will join the group.
- Spend management, including feedback from discussion of Mr. Bergren's report – Messrs. Bergren and Sheehan, and perhaps one more person will carry forward.
- Property tax environment (from CFC project ideas to the Board) – Mr. Elderkin will monitor.
- Comparison of CFC model to StratPlan model (also from CFC list) – Messrs. Lim, Calahan and Elderkin will review.
- Transportation cost statistics – Ms. Allard requested assistance in preparing information, since regular bus service will be bid next fall for the 2011-12 school year. Ms. Stolzer offered to assist.
- Maine Township Treasurer – Mr. Bork offered to assist with this continuing study, since he has an investment background. Ms. Allard noted that she has asked the Treasurer to extend an invitation via the district superintendents to attend the Maine Township trustees meeting.

Other projects suggested by CFC will await final direction from the Board later this spring.

Discussing the availability of other current CFC members, Dr. Pryor said Dave Govertsen is on leave, but Andy Duerkop is back and may be able to assist. Ms. Allard said she has an intern through the spring who could work on projects. Dr. Pryor said it would be possible to announce to District 64 staff again that there are opportunities to get involved. She also noted that Strategic Plan Action Team members might be interested in staying involved by moving to CFC, now that their work is completed.

Mr. Elderkin said he will report back to the CFC on the Board's final direction regarding projects and will be responsible for touching base with everyone regarding current opportunities.

Next Meeting

The next full CFC meeting will be held on Thursday, April 15 at 7:00 p.m. at ESC.

Dr. Pryor adjourned the meeting at 8:37 p.m.

Minutes submitted by Bernadette Tramm