

BOARD OF EDUCATION
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64

Minutes of the Committee-of-the-Whole on Finance
held at 6:00 p.m. February 8, 2010
Raymond E. Hendee Educational Service Center
164 S. Prospect Ave., Park Ridge, IL 60068

President John Heyde convened the Committee-of-the-Whole meeting at 6:03 p.m. Other Board members present were Genie Taddeo, Eric Uhlig, Pat Fioretto (joined in progress), Sharon Lawson and Ted Smart. Also present were Superintendent Sally Pryor, Assistant Superintendents Sandra Stringer and Diane Betts, Business Manager Becky Allard, Director of EIS/RtI Lynne Farmer, Director of Technology Planning & Assessments Larry Sorensen, Director of Pupil Services Kathy Nelson, Director of Buildings & Grounds Roy Jensen, Public Information Coordinator Bernadette Tramm, and two members of the public.

President Heyde stated the purpose of the meeting was to receive a new set of long-range projections for the District's finances prepared by the consulting firm StratPlan. Dr. Pryor stated that the District's financial position is stable and therefore, the District can take a thoughtful approach to its finances and can use these projections as a tool when considering future spending. Business Manager Allard reaffirmed Dr. Pryor's comments, noting that District 64 is in a sound position financially to meet its educational goals for students and fulfill the expectations of local taxpayers. She confirmed that the District will have to continue its spend management practices and be watchful about the impact of the economy. She reiterated that District 64 is well positioned to be very deliberate about any adjustments that may be needed in future years.

Ms. Allard then introduced the new financial forecasting model prepared by a new consultant to District 64, StratPlan. She reviewed consultant Lawrence Heidemann's background and credentials, and noted that his is one of two firms that provide such forecasting services to local schools. This is the first time District 64 has used an outside firm to prepare a model; previous models have been prepared by the District's own Business Manager and by the Community Finance Committee (CFC). She stated that StratPlan would give the District a different view of financial information She reviewed data sources for the current study.

Ms. Allard noted the District's intent to maintain 33%, or four months/120 days of operating expenses, on hand at the close of each fiscal year in order to avoid returning to taxpayers for additional revenues prior to 2017, which is 10 years from the previous referendum in 2007. She then reviewed the history of the Consumer Price Index (CPI) that is used to cap District 64's revenues through the Property Tax Extension Limitation Law. She compared the CPI estimates for levy year 2010 used in projections prepared last fall separately by the CFC and by the District. She noted that a critical difference is the current StratPlan version utilizes the actual 2010 levy CPI of 2.7%, which generates almost \$2.7 million more in revenues than in the District's prior estimate.

Ms. Allard then reviewed the assumptions contained in the four cases developed by StratPlan: current base case (status quo); strategic staffing case (adds undefined funding for possible program improvements for five years); stagnation case (CPI is less than the

current base case); and rapid recovery case (CPI is greater than the current base case). The base case includes projections for bond / indebtedness, tax rates, cash flows and end of year fund balance and state financial report rating through 2018-19. The other scenarios include cash flows and end of year fund balance projections for the same period.

Ms. Allard cautioned that only the current base case and strategic staffing cases show differing assumptions for expenditures. The other two cases maintain the same expenditure assumptions as the base case, while modifying only the revenue assumptions.

In all but the stagnation case, the projections indicate the District's fund balance will exceed the 33% policy level through 2016-17. The report concluded that the District's actual financial results most likely would be some combination of all four cases. She noted that the District's financial projections will be updated as economic conditions change. The StratPlan study concludes that District 64 has now positioned itself with solid fund balances, positive cash flows and considerable flexibility, which point to a bright future.

Board members then questioned Ms. Allard in detail about the components of each case and the varying assumptions used for the four forecasts, such as enrollment growth, salary increases, CPI rates and growth in Equalized Assessed Valuation (EAV). She also noted that the strategic staffing case provides the Board with a useful tool to look at the impact of additional investments in student learning that might be requested as part of the Strategic Plan now being completed.

In response to a Board member request, Ms. Allard agreed to prepare a "deflation" case, which would show CPI of 0%, natural growth in staffing and 0% growth in non-staffing expenditures. Ms. Allard said that typically, she would update these long-range projections twice per year: when the draft budget is prepared for the start of the fiscal year and when the CPI factor for the levy is announced early each calendar year.

Dr. Pryor noted the Board would be receiving the new Strategic Plan on February 22. The Board then would receive administration's implementation schedule for 2010-11 Strategic Plan activities along with a budget at the April 26 meeting, with Board approval suggested on May 10. This will fit in well with preparation of the District's draft budget for 2010-11. She concluded by reminding the Board that the projections are as good as the assumptions on which they are based, and that it is incumbent on the administration and Board to review these on a regular basis. By regular and careful monitoring, the Board will have time to carefully weigh alternatives when making decisions that impact taxpayers as well as students and staff.

Mr. Heyde concluded the Committee-of-the-Whole on Finance meeting at 7:12 p.m., which was followed by a brief recess before the regular Board of Education meeting.

President

Secretary