

BOARD OF EDUCATION
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64

Minutes of the Committee-of-the-Whole on Finance
held at 8:45 p.m. October 25, 2010
Washington School
1500 Stewart Ave., Park Ridge, IL 60068

President John Heyde called the meeting to order at 9:26 p.m. Other Board members present were: Genie Taddeo, Eric Uhlig, Sharon Lawson, Ted Smart, and Scott Zimmerman. Also present were Superintendent Philip Bender, Assistant Superintendents Sandra Stringer and Diane Betts, Business Manager Becky Allard, Director of Rtl Lynne Farmer, Director of Pupil Services Kathleen Nelson, Public Information Coordinator Bernadette Tramm, and one member of the public.

Mr. Heyde said the purpose of the meeting was to discuss parameters to be used in an update to the District's financial projections originally prepared by StratPlan Consulting in January 2010. Ms. Allard noted that the Board had received relevant excerpts from that original report along with a summary of the tentative 2009 tax extension, a history of the Consumer Price Index all urban consumers (CPI-U), a history of District 64's equalized assessed valuation (EAV) and new property projection from 1993-2015, and a history of tax collections from 1990 to September 30, 2010. Mr. Heyde noted that 2010 was the first report prepared by StratPlan Consulting for District 64 and that the District's Community Finance Committee (CFC) had had an opportunity to compare its projections with the report to understand the differences in assumptions and methodology. Mr. Heyde further noted that the Board had previously agreed that it would be beneficial to have an annual review of the projections in early winter each year after the annual CPI factor has been announced. Ms. Allard noted that Mr. Lawrence Heidemann of StratPlan Consulting would prepare the 2011 report, but that thereafter, Ms. Allard expected to take over the updates. She noted that Mr. Heidemann had met with CFC Chairman Craig Elderkin, then Superintendent Sally Pryor and herself to review the report line-by-line. She stated the revenue projections between StratPlan and CFC were very close, but that expense growth for salaries and health insurance had differed due to varying assumptions primarily about the rate of inflation.

Review of Current "Base Case" Assumptions

Ms. Allard then led the Board through a discussion of the current assumptions used in the base case to determine what adjustments should be made for the 2011 update. She noted that the base case projections then are modified to show a more pessimistic scenario, which last year was called "stagnation," and a more optimistic outlook, which last year was called "rapid recovery."

The Board discussed and decided on the following revenue drivers for the base case:

- CPI inflation rate – Ms. Allard noted the current base case projection had forecasted an inflation rate of 1% for the 2011 levy year which is looking to be fairly accurate, to be followed by 2.5% for each year thereafter. The Board decided to project only between 1-2% for the coming year and 1.5% thereafter, with the variations to the case going higher and lower from there.

- State and federal funding – The Board agreed it should be maintained at current expected level for the base, but the “worst” case should be significantly lower to reflect a scenario where the state eliminates general state aid, or even drops all aid.
- EAV growth – The Board directed that this assumption be reduced by half, and then start growing slowly again. New construction should be dropped significantly, although not to \$0.

On the cost side, the Board discussed and decided on the following expense drivers for the base case:

- Enrollment – The Board agreed that enrollment continue to use the Kasarda Series B projections.
- Class size – Ms. Allard confirmed that the model is based on an average obtained by using enrollment information from the District’s fall housing report divided by the number of sections. The Board agreed no change is needed.
- Capital projects – The Board agreed to adjust the 2011-12 fiscal year to show the \$1.5 million planned, before continuing with the current base case assumption of \$1 million/year thereafter.
- Contractual assumptions for salaries – Mr. Heyde pointed out the current projection follows the contract with teachers to its end, and then assumes the base increase is inflation plus a 2% step applied to that. The Board discussed the need to develop additional information about the actual impact of the step increase since the growth proved higher than anticipated this year when applied to personnel in the current schedule. Ms. Allard said budgets could be fine-tuned through the position control feature in the District’s new Skyward software system being introduced to the personnel are in 2011.
- Debt retirement – Ms. Allard suggested that \$6 million in borrowing every three years be added to the projection to provide the Board with better information about the potential impact of utilizing bond funding for facility capital projects.
- Other costs – The Board agreed that all other costs would be increased at the inflationary CPI rate, as currently used in the base case.

Ms. Allard confirmed that the StratPlan projections for 2011 would also include a “strategic staffing” case as done in 2010 to show the addition of up to \$500,000 per year for expenses related to implementation of the District’s new strategic plan. She noted that further studies could be done quickly for the Board to test amounts higher or lower than this level.

Ms. Lawson also requested an even deeper “stagnation” case be prepared to see what would occur if economic growth is flat or drops for one or more years.

Mr. Heyde concluded the Committee-of-the-Whole on Finance meeting at 9:55 p.m.

President

Secretary