

BOARD OF EDUCATION
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64

Minutes of the Committee-of-the-Whole on Finance
held at 9:00 p.m. September 12, 2011
Emerson Middle School
8101 N. Cumberland, Niles, IL

President John Heyde called the meeting back to order at 9:00 p.m. Other Board members present were Scott Zimmerman, Eric Uhlig, Pat Fioretto, Anthony H. Borrelli, Dan Collins, and Sharon Lawson (attended by telephone). Also present were Superintendent Philip Bender, Assistant Superintendent for Student Learning Diane Betts, Business Manager Becky Allard, Director of Pupil Services James Even, Director of Technology Terri Bresnahan, Director of Facility Management Scott Mackall, Public Information Coordinator Bernadette Tramm, and 15 members of the public.

Mr. Heyde stated the purpose of the meeting was to discuss the final draft budget for 2011-12. He noted the tentative budget had been approved in July, and that the current draft #3 was posted on the website as well. He announced that the Board would meet on September 19 at the District 64 Educational Service Center for further budget questions and public comment, and that an official public hearing would be held on September 26 at 7:20 p.m. at Franklin School. Ms. Allard reported that as of this evening, no community member had contacted her about the budget.

Ms. Allard offered several clarifications concerning issues raised during public comments at preceding meetings. She noted that the School Code does not state that the Illinois State Board of Education (ISBE) legal budget form be posted in its draft form when a tentative budget is adopted. She also noted that the Education Fund salary category is expected to increase by \$2.1 million or 5.5%, not by \$6 million as a member of the public had stated.

Ms. Allard then began a careful review of the report submitted in the Board packet. She noted that the Board is required to adopt the budget by the end of the first quarter of the fiscal year, which is September 30. She noted that the report includes her 23-page memo and the following attachments: a list of revenue and expense changes that have occurred since the Board adopted the tentative budget draft #2 on July 11; revenue summary and detail reports; expenditure summary and detail reports; and the ISBE legal budget form.

She reported that overall, operating fund revenues are expected to increase by 3.7% when Federal Aviation Administration (FAA), American Reinvestment & Recovery Act (ARRA) and state grant funding are removed. Expenditures are expected to increase by 6.8% when those same expenditures are removed.

Ms. Allard then reviewed projected revenues for 2011-12, which include: real estate property taxes that are subject to the tax cap, known as the Property Tax Extension Limitation Law (PTELL); Corporate Personal Property Replacement Taxes (CPPRT); other local revenue; state revenue; and federal revenue streams. Turning to expenditures, Ms. Allard noted that the budget reflects the third year of the ongoing contractual agreement with teachers and other employee groups. The base salary

increase for all categories is 2.5%. All employees with the exception of administrators, exempt staff, lunchroom, and extended day program staff also receive a “step” increase as they move through the salary schedule. The staff levels in the budget include an additional 5.22 certified teachers to support the fluctuations in class size sections and three instructional coaches in technology to support the strategic plan.

Overall, the statement of position in the report estimates Operating Fund revenues of \$68,822,801 and budgeted expenditures of \$67,671,288, creating a surplus for the year of \$1,151,513 in the Operating Fund. As a result, the Operating Fund Balance will increase from \$38,894,744 with a fund balance ratio of 55.5% on July 1, 2011 to end the year on June 30, 2012 at \$40,046,257 or a fund balance ratio of 59.2%.

Ms. Allard then reviewed the budget drivers by fund, looking at both revenues and expenditures for the Education Fund, Operations & Maintenance (O&M) Fund, Debt Service Fund, Transportation Fund, Municipal Retirement/Social Security Fund, Working Cash Fund, and the Tort Immunity Fund. She pointed out the significant components of each fund, and identified substantive changes from the prior year. Ms. Allard then noted her report contained a list of actions already taken by the Board during the year that impact the current budget as well as a list of the District’s investments in student learning for 2011-12 made possible by this year’s expenditures. She noted that the District’s fund balance policy would be met in this budget, and that the planned 2011-12 revenues and expenditures are very accurate compared to the long-range financial plan as presented to the Board earlier this year. Ms. Allard stated she would bring an updated version of the long-range projections to the September 19 Board meeting for further discussion. Ms. Allard then concluded with a review of the cash flow projections prepared by the Maine Township School Treasurer that indicate the District should have sufficient cash to meet the low point of the Operating Fund balance projected in December 2011.

Ms. Allard then reviewed a specific list of changes made in budget draft #3 from the tentative budget #2 the Board adopted on July 11, noting the updates made by fund. Ms. Allard confirmed that all changes are the result of having better information about projected revenues or expenditures than was available in July. She also pointed out the detailed budget information in the attachments to her report for both expenditures and revenues.

President Heyde suggested that Board members first begin their discussion by focusing on the budget presentation itself. Ms. Allard responded to a series of clarifying questions on information in the budget draft, noting that: capital expenditures appear in the O&M Fund instead of the Capital Fund, which would be used for a bond issue; comparisons are given to prior year actual expenditures; the state transportation reimbursement is not calculated on the General State Aid formula applied to District 64 but rather on the basis of a claim submitted for reimbursement based on actual costs; reimbursements for FAA projects appear in several fiscal years that may not match exactly the fiscal years in which the District’s expenditures for the projects occurred; the 6.4% revenue increase is a blend of revenue from several levy years as well as the spring 2011 tax bills being based on 55% of the prior year’s tax bills; decreases in the O&M fund are connected to the conclusion of the FAA projects and do not indicate a reduction in the District’s maintenance activities; and Education Fund salary

expenditures were adjusted to shift the Teachers' Retirement System (TRS) payments made on behalf of administrators to the benefit category.

Following Board member questions on the budget presentation, President Heyde then invited members to offer any proposals regarding the 2011-12 budget. Several Board members suggested that one area to control expenditure growth would be to focus on purchased services, supplies and capital outlay categories within the Education and O&M funds. Members pointed out that these are areas that have more flexibility since they are not already committed by contractual obligations for salary and benefits or for special education needs. Ms. Allard stated that about 92% of the Education Fund budget is committed for those purposes. She also pointed out that in the 2010-11 fiscal year, those particular line items in the Education Fund had been under spent by 16%. The Board discussed the possibility of reducing expenditures by 10% of budgeted amounts or setting a specific target amount that could be greater. Board members also affirmed that the intent was to avoid any impact on the education of students in the classroom and to avoid deferring any needed maintenance to buildings. Following further discussion, the Board consensus was to create a "reserve" of \$500,000, which would be an aggregate amount from the budgeted expenditures for purchased services, supplies and capital outlay within the Education and O&M funds for 2011-12. The Board directed administration to prepare a recommendation on how to place 10% of expenditures in the three indicated areas of the two funds into the reserve, and how the status of the reserve would be monitored and reported to the Board during the year.

Mr. Heyde then opened the meeting for public comments. Mr. Marty Torres, 204 Western Ave., Park Ridge, asked for further clarification of what areas could be included in the 10% proposal, which was given by Mr. Heyde.

Board members then discussed the District's current fund balance policy of having four months (33%) of annual operating expenses in the Operating Fund balance at the close of the fiscal year on June 30, and also noted how taxes are levied for the Working Cash Fund. Board members concurred that it may be beneficial to review the policy at a future time to consider whether this level is adequate in the current economic climate and in light of delays in receiving revenues from Cook County and the State of Illinois, and when weighed against current spending needs.

Upon motion of Mr. Uhlig and second of Mr. Borrelli, the meeting was adjourned by consensus at 10:12 p.m.

President

Secretary