BOARD OF EDUCATION
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64

Minutes of the Committee-of-the-Whole on Finance
held at 7:00 p.m. February 13, 2012
Hendee Educational Service Center
164 S. Prospect Ave., Park Ridge, IL

President John Heyde called the meeting to order at 7:04 p.m. Other Board members present were Scott Zimmerman, Eric Uhlig, Pat Fioretto, Anthony H. Borrelli, Dan Collins, and Sharon Lawson. Also present were Superintendent Philip Bender, Assistant Superintendents Sandra Stringer and 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 about 25 members of the public.

Mr. Heyde stated the purpose of the meeting was to review long-range financial projections; discuss borrowing opportunities related to capital improvements; and conduct the second portion of the Roles, Goals and Controls workshop related to the Facility Master Plan.

- **Long-Range Financial Projections**

Business Manager Allard reported this is the third year that StratPlan Consulting & Modeling has assisted District 64 to prepare long-range financial projections. The projections are intended to help the Board analyze future spending plans under various assumptions; the assumptions were developed based on the Board's previous discussion at its November 14, 2011 meeting, and the Consumer Price Index-Urban (CPI-U) factor of 3.0% announced in January that will be used in the 2011 tax extension.

Ms. Allard indicated that the projections had identified various sensitivities that can be useful in looking at the budget: $1 million in added expense results in eight fewer days of cash on hand in 2012-13; 1% in CPI is roughly equivalent to $0.05 in tax rate; and each $0.05 of tax rate is roughly equivalent to $1 million in annual revenues, or 2-3% in salary and benefit costs, or class size increment of +/- one, or an additional 10 staff members. Ms. Allard also pointed out characteristics of the District's current revenue budget, of which 82 is from local property taxes, and the expenditure budget, of which 75% is for employee salaries and benefits.

Ms. Allard then reviewed three separate cases with the Board, beginning with the current "base case" model, which maintains current conditions and is adjusted by the assumptions as identified by the Board previously for CPI growth, equalized assessed valuation (EAV) growth, demographic trends, salaries, benefits, other expenditure growth, special education tuition, and capital projects of $2.8 million per year. This base case indicates that the District will meet its fund balance objective of having four months (120 days or 33%) of operating funds on hand at the end of each fiscal year until 2020-21, when it is expected to be about 30% or 115 days.

Ms. Allard also reviewed a Strategic Staffing case, which adds salary and benefits for four additional technology coaches to the base case beginning in the 2012-13 fiscal year with no other changes to the base case. In this scenario, the District would maintain its fund balance objective through 2019-20, when it is expected to be about 123 days. Ms. Allard then applied two different assumptions to the Strategic Staffing case, including both a more negative and more positive set of assumptions. In the Stagnation Case, which includes the tech coaches, the

CPI is reduced by 1% in future years, which results in the fund balance objective being maintained until it falls to 113 days in 2018-19. Conversely, a Rapid Recovery case, which also includes the tech coaches, increases CPI by 1% in future years; this results in the fund balance objective being maintained through the end of the timeline in 2020-21.

Ms. Allard noted that the actual results will be some combination of all four cases presented in these long-range projections. She reported that the StratPlan consultant stated that its overall conclusions for District 64 remain consistent. District 64 is basically stable, certainly in the near term, and likely until the unofficial 2017 date, which would be 10 years from the successful 2007 referendum. Ms. Allard quoted from the report that, District 64 has positioned itself with solid fund balances, positive cash flows, considerable flexibility, and a bright future.

Ms. Allard then noted that the financial projections needs to be updated as financial conditions change, and specifically pointed out the current discussions in Springfield concerning the State of Illinois shifting pension costs under the Teachers' Retirement System (TRS) to local districts. Ms. Allard indicated this might mean additional costs of about $3.2 million per year, which would be roughly comparable to the capital expenditures built into the District's base case financial projections. She noted that too little is known about the proposal at this point to determine what the impact would be, but it is certainly a development that will be monitored closely.

Board members continued to discuss particular components of the projections, and asked Ms. Allard for clarification of various details in her report. Board members then had a lengthy discussion about a possible thought exercise to identify the levers that control the District's budget, which would be helpful to Board members to know if the pension shift were to occur. Suggestions were made to develop one or more alternate 2012-13 budgets for the Board to review, which might allow the Board to see the impact of limiting the overall budget growth to 0% from the current year, for example. Mr. Heyde ended by recommending that Ms. Allard and the administration be given time to react to the Board's discussion and come forward with a proposal at the next meeting.

- **Capital Projects Funding Options**

Ms. Allard said there are three options to fund capital improvements, including self-funding, debt certificates, and using the debt service extension base to issue bonds. The first two options are within the tax cap formula, the third is not.

Ms. Allard provided several examples of the impact of funding $14 million in projects with repayment over 20 years, which would encompass the five projects authorized by the Board for design in December 2011. The self-funding approach would be drawing down on available balances in the Education Fund or the Working Cash Fund to pay for these capital projects. This would result in meeting the District's fund balance policy through 2017-18. Utilizing debt certificates in the example provided would create an annual average repayment amount of $960,000 from the Operations & Maintenance Fund. The fund balance policy would be maintained through 2018-19 in this example. In response to Board member questions, Ms. Allard clarified that the $14 million used in the example of debt certificates is based on an annual budget of $2.8 million for capital projects plus $1 million in repayment, although the full $14 million would be available in the first year for projects. Debt certificates are a loan paid for through the District's operating funds and therefore subject to the tax cap formula.

Ms. Allard reviewed a final option of issuing bonds utilizing the District's debt service extension base; this is sometimes called a backdoor referendum because it is subject to a public hearing and petition period that could lead to a referendum. The repayment of the bonds would fall outside the tax cap, but would be part of the tax levy process and have an impact on taxpayers. The projected impact would be an additional $0.04 tax rate added to the District's property tax levy for 20 years.

Mr. Heyde then led the Board through a discussion of the various options, with Board members asking clarifying questions of Ms. Allard about the examples. Board members shared their views about the report, including: the funding levels likely to be needed for the Facility Master Plan overall and the five projects currently initiated; the trade-offs between the various options; impact on taxpayers; impact on the District's long-range financial goals; meaning of the 2007 referendum promise of reaching 2016-17 without returning to taxpayers; and guidelines for the amount of debt utilized by similar districts.

Ms. Allard reported that Elizabeth Hennessy from William Blair would be speaking to the Borrowing Options study group of the Community Finance Committee on March 1 to review borrowing options; all CFC members have been invited.

Mr. Heyde thanked Ms. Allard for providing the examples and Board members agreed it was a good background discussion of available options.

- **Facility Master Plan Roles Goals & Controls**

Two representatives from the District's architects of record, Keri VanSant and George Kacan from Fanning Howey, continued a review of the roles of the administration and Board in the design and construction phase of projects in the Facility Master Plan. They reviewed the facility goals the Board adopted last fall during the first workshop, and the three levels of input that lead to the Board ultimately making a decision on each project.

Seven design/construction phases in the design process were reviewed, with details provided about key activities in each phase and the Board's approval at key points. The architects also reviewed how significant modifications that create change orders are handled during the construction phase, and how they are authorized by the administration and Board. The architects also identified the current design phases of the Carpenter School mechanical upgrades and Carpenter site improvements targeted for summer 2012, and Lincoln Middle School boiler replacements and Franklin School mechanical upgrades targeted for summer 2013, and identified upcoming Board approval points.

Mr. Mackall noted that it is beneficial for Board to go through these processes at each step to keep the Board fully engaged and aware of the budget impact and progress. In response to a proposal to authorize administration to approve change orders up to $12,500, Dr. Bender stated that regardless of the amount his practice has been to inform the Board of each change order as it arises.

Mr. Kacan asked the Board to adopt this second part of the Roles, Goals and Controls, so that it can be included in Part I of the Facility Master Plan.

Board members then questioned the architects further on the various phases of the design process presented, particularly in relation to the current four projects. Mr. Mackall also clarified that the Franklin project is on hold, as the Board requested the District conduct a bidding process to select an environmental consultant to oversee the assessment, design and work on asbestos abatement needed in conjunction with this work.

The Board requested that the architects provide descriptions of the design phase for the District website and indicate the status of each of the four current projects.

- **Announcements**

Dr. Bender recognized the CFC members attending the meeting and thanked them for volunteering to participate on the five study groups this year. Mr. Heyde reaffirmed the importance of the CFC's work in providing advice to the Board and helping educate the community about school finance issues.

Ms. Lawson moved and Mr. Fioretto seconded a motion to adjourn to closed session not to return to open session to discuss the employment of specific individual(s) under 5 ILCS 120/(c)(1) and collective negotiations under 5 ILCS 120/2(c)(2). The votes were cast by roll call as follows: Ayes – Lawson, Borrelli, Fioretto, Uhlig, Heyde, Zimmerman and Collins; Nays – none; Present – none; Absent - none. The motion carried.

Mr. Heyde then concluded the Committee-of-the-Whole meeting at 9:12 p.m.

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President

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Secretary