

BOARD OF EDUCATION
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64

Minutes of the Committee-of-the-Whole:
Review Tentative Budget for 2013-14
held at 6:30 p.m. on May 20, 2013
Emerson Middle School – Multipurpose Room
8101 N. Cumberland, Niles, IL

Board President Anthony Borrelli called the meeting to order at 6:40 p.m. Other Board members present were Vicki Lee, Terry Cameron, Scott Zimmerman, Dathan Paterno, John Heyde and Dan Collins. Also present were Superintendent Philip Bender, Assistant Superintendents Joel T. Martin and Lori Hinton, Business Manager Becky Allard, Director of Special Education / Pupil Services James Even, Director of Facility Management Scott Mackall, Public Information Coordinator Bernadette Tramm and four members of the public.

Board President Borrelli stated the purpose of the meeting was to receive a presentation on the tentative budget for 2013-14.

Ms. Allard explained that the budget is designed to meet the requirements of the Illinois School Code and is required to be adopted by the end of the first quarter of the fiscal year, which is September 30. The budget is the plan to accomplish the educational and financial goals of the school district. The legal budget is reported by fund, she noted. She stated that the referendum commitment made in 2007 was that barring any unforeseen financial circumstances, District 64 would not return to voters for at least 10 years for a tax rate increase.

For 2013-14, she pointed out that if capital projects were not considered, the Operating Funds budget-to-budget increase would be 3.9%. As an overview, she stated Operating Fund revenues are expected to increase only 0.7%, and expenditures are expected to increase by 7.2% when capital projects are included. She reported that the estimated Operating Fund balance on June 30, 2014, would decrease by about \$3.5 million, from about \$44.2 million to \$40.7 million. Ms. Allard reported this would provide a fund balance ratio of 59.2%.

Ms. Allard then offered a detailed review of both revenues and expenditures. On the revenue side, she noted that 85% of the District's Operating Funds revenue is from local property taxes. She pointed out that property taxes are affected by the Property Tax Extension Limitation Law, which makes the annual increase subject to the lesser of 5% or the Consumer Price Index (CPI). The 2012 CPI of 1.7% impacts the 2013 levy year, while the District's revenue collections are affected in two fiscal years: the 2013-14 fiscal year for the 2013 spring collection, and the 2014-15 fiscal year for the second installment collections in fall 2013. Reviewing other revenue components, Ms. Allard discussed projected amounts for the Personal Property Replacement Tax, general state aid, other local income, and other state and federal revenue.

Regarding general state aid, Ms. Allard pointed out that the State's foundation level of \$6,119 per student when prorated and other weighting factors are applied resulted in a payment of only \$385 per student for District 64.

Turning to expenditures, Ms. Allard pointed out that when capital outlay is removed, salaries and benefits account for 83% of the Operating Fund budget. She then reviewed budgeted expenditures for each Fund in detail, providing dollar amounts for each type of expenditure and percentage increases.

Focusing on the Capital Projects fund, Ms. Allard offered a list of the facilities projects currently authorized for 2013-14 at Carpenter, Lincoln, Franklin and phase I at Field, totaling about \$4.7 million, and additional projects for the 2014-15 budget totaling over \$8 million more being considered by the Board for phase II at Field. This is a total of \$12.7 million for the two years. She then noted the Board had approved in principle to budget \$3 million annually for capital projects over the next four years through 2016-17, which would create a pool of \$12 million over that period. She pointed out that even if no capital projects whatsoever were authorized for 2015-16 and 2016-17, the District would still have overspent its available funds by \$750,000.

Ms. Allard concluded her presentation with an updated financial projection graph, which includes a teacher pension shift from the State to District 64 of 0.5% per year beginning in 2013-14 and building incrementally by 0.5% to 6.5%. She noted that with this shift in place, the District would conclude 2013-14 with 216 days of cash on hand. This figure would drop precipitously to 169 days on hand in 2014-15 if the phase II Field project is authorized and paid through the Operating Fund. By 2016-17, which is the 10-year mark from the previous referendum, Ms. Allard pointed out that at 140 days of cash on hand, the District would still be in compliance with the Board's fund balance policy of having 120 days of cash on hand. However, she noted that the District would immediately slip below this mark in the following year and days of cash on hand would continue to decline.

Board President Borrelli then offered an opportunity for Board members to clarify their understanding of information in the tentative budget by questioning Ms. Allard. Among the topics considered were:

- Capital projects:
 - Ms. Allard confirmed that the current financial projections are based on spending \$1 million per year on Operations & Maintenance and \$3 million in Capital Projects through 2014-15; no spending on capital projects is included beyond that year.
 - The money for the Capital Projects Fund is currently shown as being provided by transferring money from the Operations & Maintenance Fund, the Education Fund, and Working Cash to the Capital Projects Fund to pay for proposed work at Field currently projected at \$8 million. She noted that draining Working Cash and reducing the District's Operating Fund balance will likely result in borrowing money in later years for cash flow to meet current obligations, such as payroll. This practice would erode the District's current perfect 4.0 financial recognition profile score down to the financial watch list in just a few years.
 - Ms. Allard affirmed that dividing expenditures for Field over several years would not change the ultimate impact if the District funds the work by spending down its fund balance.
 - Ms. Allard pointed out that the Board has not authorized the Field project yet, and that the Board would need to make a final determination on how to pay for the project at that time. She noted that the Community Finance Committee (CFC) study group on borrowing options had presented to the Board twice in 2012 about ways to finance this work and other capital improvements. She noted

CFC had pointed out the opportunity created by the District's retirement of all debt in 2016-17 to structure borrowing in such a way that repayment could begin the following year at approximately the same amount. In this way, Ms. Allard explained that taxpayers would see a continuation of debt service on their real estate property tax bills, rather than this portion being eliminated. Ms. Allard also confirmed that debt service is calculated outside the tax cap formula placed on the Operating Funds. Borrowing for payroll needs, on the other hand, would fall inside the tax cap and, therefore, would have an impact on what could be levied for Education and the other Operating funds.

- Pension legislation: Ms. Allard noted that only the long-range projection graph factors in a 0.5% per year shift of pension costs from the State to District 64, and that the tentative budget presented for discussion does not include this expense. Board members requested that Ms. Allard also prepare a long-range projection for later versions of the tentative budget that excludes a possible pension shift, given the current level of uncertainty regarding action by the State legislature.
- Operations & Maintenance: Ms. Allard noted that Operations & Maintenance capital outlays also are increasing based on projected maintenance work, such as parking lot paving and carpeting replacement, but this figure will be refined in later drafts as planning for specific activities continues.
- Rate of increases: In response to Board member questions about categorizing all spending into three separate areas – salaries and benefits, facilities, and other – and viewing increased expenditures in each area on a per pupil basis, Ms. Allard stated a more exact picture would be available after the close of the 2012-13 fiscal year when the budget will show comparisons between the 2012-13 actuals and the 2013-14 budget. She also reiterated that this is the first draft of the tentative budget, and that it is intended to be a starting point for Board discussion and decision-making.

Ms. Allard urged Board members to email or call her with questions about any items within the tentative budget.

Board President Borrelli concluded the Committee-of-the-Whole meeting at 7:27 p.m., which was followed by a brief recess before the regular Board meeting resumed.

President

Secretary