

BOARD OF EDUCATION  
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64

Minutes of the Committee-of-the-Whole: Finance  
held at 7:00 p.m. on February 10, 2014  
Field School - North Gym  
707 N. Wisner, Park Ridge, IL

Board President Anthony Borrelli called the meeting to order at 7:17 p.m. Other Board members in attendance were Dan Collins, Dathan Paterno, Scott Zimmerman, John Heyde and Vicki Lee; Board member Terry Cameron attended by phone. Also present were Superintendent Philip Bender, Assistant Superintendents Lori Hinton and Joel T. Martin, Director of Special Education/Pupil Services Jim Even, Business Manager Becky Allard, Director of Technology Terri Bresnahan, Director of Facility Management Scott Mackall, Public Information Coordinator Bernadette Tramm, and approximately 20 members of the public.

Board President Borrelli stated the purpose of the meeting was to review the annual long-range financial projections update. Business Manager Allard reported the 2014 update had been developed using a model prepared by PMA Financial Network, Inc. to forecast the financial health of the District through 2021. Ms. Allard was joined by Howard Crouse from PMA to deliver the report. She pointed out that projections are a helpful tool to allow the District to look further down the road on what could occur, based on a certain set of assumptions on both expenditures and revenues. She noted that at the time of the 2007 referendum, the District had committed not to return to taxpayers again for at least 10 years, and that the Board this summer had extended that promise for four additional years to 2020-21. Ms. Allard pointed out that since that time, the CPI-U factor from December 2013 is one-half percent lower than used in the assumptions last year, which has changed the projection so that it is unlikely the District can extend four additional years to 2020-21 and still meet the Board's fund balance policy of having at least 120 days of cash on hand or 33-1/3% of operating fund expenditures at the close of each fiscal year. Ms. Allard pointed out the Board could begin a discussion of how expenditures can be reduced or revenues increased in coming years to meet that extended goal. Ms. Allard cautioned that the projections are a snapshot in time and that projections do change every year as the CPI is announced and current budget information is known. She pointed out that a higher than projected CPI would have an immediate positive impact on maintaining the fund balance policy through 2020-21. She responded to Board member questions about how a lower CPI this year does have a compounding effect in coming years, as would a higher CPI.

Mr. Crouse then reviewed the data elements included in the model, which is used in 170 other school districts primarily in the collar counties. He pointed out the revenue components of District 64's budget, where 85% is attributed to local property taxes. Because of its tremendous impact, he focused on the specific assumptions such as CPI that affect property tax revenues, and then discussed the assumptions for the other components of the District's overall revenues.

Turning to expenditures, Mr. Crouse pointed out that salaries account for 70% of District 64 expenditures with benefits accounting for an additional 14%. He then reviewed the assumptions for each revenue area, and pointed out that Operations & Maintenance spending is \$1 million in the base model. Ms. Allard further noted that the model had assumed an increase in costs for the Transportation fund beginning next year due to the contract being re-bid for a three-year period. However, she reported that the bids that have just been opened should instead produce a savings of \$100,000, which would favorably impact the projections.

Mr. Crouse then discussed the base model aggregate projections for the next five years through 2019 for the six funds that together comprise the District's operating funds. He reported that the PMA projections indicate the District would maintain its fund balance policy through that five-year period, ending fiscal year 2018-19 with a fund balance of about 36% or about 130 days. Mr. Crouse said that he and Ms. Allard had then extrapolated the projection for a further two years through 2020-21, and noted that the fund balance drops more precipitously going forward as the annual deficit gets larger. He noted the fund balance would be below the fund balance policy at that time, based on the assumptions in the base case.

Moving to alternate scenarios, Mr. Crouse noted that by only reducing Operations & Maintenance expenditures from \$1 million to \$500,000 per year with no other changes would improve the fund balance through 2020-21, but still would not meet the fund balance policy. In a second alternate scenario, Operations & Maintenance expenditures are reduced and other expenditures also are reduced by \$1.2 million beginning in fiscal year 2014-15. Mr. Crouse said this combination would produce 125 days of cash on hand in 2020-21 and achieve the fund balance goal.

Looking at other issues on the horizon, Mr. Crouse noted that pension reform could impact the District's future financial projections if a cost shift from the state to local school districts is resurrected, particularly if the courts find any part of the pension reform legislation unconstitutional.

Mr. Crouse and Ms. Allard responded to Board member questions and discussion about the possible impact on school facilities if Operations & Maintenance expenditures are reduced; potentially seeking the input of the Community Finance Committee in looking for ways to reduce expenditures by \$1.2 million; that the reduction in Transportation costs mentioned this evening would already contribute to a reduction in expenditures; and that since this year's projections were prepared for the first time by PMA and assumptions have also changed based on new information it would be worth identifying what some of the differences are from the previous model as these can act as sensitivities to the Board.

Board President Borrelli concluded the Committee-of-the-Whole: Finance meeting at 7:51 p.m., and immediately returned to the special meeting.

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President

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Secretary