BOARD OF EDUCATION
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64

Minutes of the Committee-of-the-Whole: Finance
held at 7:30 p.m. on February 9, 2015
Jefferson School – Multipurpose Room
8200 Greendale, Niles, IL 60714

Board President Anthony Borrelli called the meeting to order at 7:44 p.m. Other Board members in attendance were Dan Collins, Dathan Paterno, Scott Zimmerman, Vicki Lee, John Heyde, and Bob Johnson. Also present were Superintendent Laurie Heinz, Assistant Superintendents Lori Lopez and Joel T. Martin, Director of Special Education/Pupil Services Jane Boyd, Chief School Business Official Becky Allard, Director of Innovation and Instructional Technology Mary Jane Warden, Director of Facility Management Scott Mackall, Public Information Coordinator Bernadette Tramm, and approximately six members of the public.

Board President Borrelli stated the purpose of the meeting was to review the annual long-range financial projections update. Ms. Allard reported the 2015 update had been developed using a model prepared by PMA Financial Network, Inc. to forecast the financial health of the District through 2022. Ms. Allard was joined by Howard Crouse from PMA to deliver the report. She pointed out that projections are based on a certain set of assumptions for both expenditures and revenues. If the Board would like to modify assumptions or create different combinations, new projections can be run. She pointed out that the most significant change from the 2014 projections on the revenue side was a reduction in the CPI-U factor for December 2014 from the assumption used last year; on the expenditure side, an assumption on staffing growth has been added based on the historical average each year.

Mr. Crouse then reviewed the data elements that form the basis of the projections, and began an in-depth review of assumptions used for revenue and expenditure components. For revenues, Mr. Crouse reviewed the District's primary revenue sources, and noted that property taxes provide more than 85% of the District's Operating Fund revenues. He stated that the single biggest factor affecting the projections is what CPI-U is in effect for each levy year included in the forecast period. For the 2015 projections, Mr. Crouse noted that the actual CPI-U for levy year 2014 of 1.5% and .8% for levy year 2015 have been used; an assumption has been made that the CPI will average 1.1% between levy years 2016 and 2019 although it will rise and fall each year. He noted that each .1% CPI change impacts Operating Fund tax revenues by approximately $62,000. He also reviewed the projected EAV and new property estimates. Moving to state and federal revenues, he cautioned that the assumptions result in General State Aid remaining relatively flat, with no increase in federal revenues anticipated. CSBO Allard pointed out the projections do not factor in the potential delay of the state's fourth categorical payment in the current fiscal year, nor do they show the potential impact of Senate Bill 1, formerly Senate Bill 16, that would redistribute state revenue away from suburban Cook County districts.

Mr. Crouse and CSBO Allard then turned to the expenditure side, noting that 83% of Operating Fund expenditures are salaries and benefits. Mr. Crouse reported that salaries in the projections reflect the current contract through 2016 with a placeholder for future years that are to be negotiated, and that additional staff have been added at the historical average of 4.5 Full Time Equivalent (FTE) per year. Assistant Superintendent Martin joined with CSBO Allard to respond

to Board member questions about the 4.5 FTE assumption used for the projections; Mr. Martin noted that a staffing proposal for 2015-16 would be covered in the special meeting that follows. Board members shared their opinions on whether the 4.5 FTE staffing growth should be built into the projections each year, and also discussed the projections for future enrollment included in the model and how sections are added when enrollment increases beyond the class size guideline prior to the opening of school. Mr. Crouse then resumed reviewing the assumptions for health benefits, and the other key factors within the Education, Operations & Maintenance, Transportation and Tort funds.

Moving to the aggregate projections, Mr. Crouse and CSBO Allard reported that in each of the next five years after 2015, the District would draw down the Operating Fund balance. He noted the District's fund balance policy is to maintain at least 120 days (33-1/3%) of Operating Fund expenditures in cash on hand as measured on June 30 of each fiscal year. CSBO Allard reported that the District would succeed in maintaining this balance only through 2019, not the Board's current goal of 2021. She noted this is primarily the result of the CPI-U decline from the assumption used in the 2014 projections.

CSBO Allard then reviewed how changing the assumption on CPI-U for the 2016 levy would affect future years and yield some improvement. Mr. Crouse noted that increased expenditures for staffing built into the model, however, would dampen the favorable impact. They also discussed the impact of legislative action being considered in Springfield to shift pension payment responsibility to districts, which would further negatively impact future years.

At the conclusion of Board discussion, it was agreed that CSBO Allard would prepare additional projections for continuing discussion by the Board at its next meeting, which would include a staffing increase for 2015-16 but removing additional staffing growth thereafter.

Board President Borrelli concluded the Committee-of-the-Whole meeting at 8:49 p.m., and immediately returned to the special meeting.

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President

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Secretary