

**BOARD OF EDUCATION  
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64**

Minutes of the Committee-of-the-Whole: Finance

held at 7:30 p.m. September 21, 2015

Jefferson School – Multipurpose Room

8200 N. Greendale Avenue, Niles, IL 60714

Board President Anthony Borrelli called the meeting to order at 7:50 p.m. Other Board members in attendance were Tom Sotos, Dathan Paterno, Scott Zimmerman, Vicki Lee, Bob Johnson and Mark Eggemann. Also present were Superintendent Laurie Heinz, Assistant Superintendents Joel T. Martin and Lori Lopez, Director of Innovation and Instructional Technology Mary Jane Warden, Director of Student Services Jane Boyd, Chief School Business Official Luann Kolstad, Public Information Coordinator Bernadette Tramm, and about 15 members of the public.

Board President Borrelli stated the purpose of the meeting was to conduct a focused review of the education, debt service, municipal retirement and capital projects funds; review the final draft of the 2015-16 budget; and conduct a discussion of bonding and related projects.

**Budget Focus: Education, Debt Service, Municipal Retirement, and Capital Projects**

CSBO Kolstad reported this was the third and final installment of an in-depth review of the 2015-16 budget with previous Board discussions occurring on August 10 and August 24. She noted that she and Assistant Business Manager Brian Imhoff had been working to distribute accounts to re-categorize functions in alignment with the Illinois Program Accounting Manual (IPAM). This accounting code format ties directly into both the Annual Budget and the Annual Financial Report (AFR) documents, which are submitted to the Illinois State Board of Education each year. CSBO Kolstad then provided highlights for the Board on every function area within the Education budget Fund 10, the Debt Services budget Fund 30, the Municipal Retirement and Social Security budget Fund 50, and the Capital Projects budget Fund 60. She noted that her written report provided line item data for the 2014-15 adopted budget, the 2014-15 actual expenditures, and the 2015-16 adopted tentative budget. CSBO Kolstad reported that these four funds together account for about \$68.4 million in expenditures for 2015-16, and that the Education Fund is the largest among the District's entire suite of funds at \$59.7 million. CSBO Kolstad noted that expenditures and revenues this year are being charged to the correct account whether or not there is a budget this year, which will help with future year's budgeting. She and Dr. Heinz then provided clarifying information to various Board member comments and discussion during the detailed review of each fund. Further Board member discussion occurred around student fees, including discussion of the intent and structure of the fees and the educational programming fee revenues support. CSBO Kolstad pointed out that revenues are pledged to pay the principal and interest on capital leases for copiers and VoIP in the Education Fund, and are then transferred by resolution every year to the Debt Services fund. She also noted that going forward, any bond issues would have a separate line item established to more easily track expenditures and revenues associated with each issuance. During discussion of the Capital Projects fund, CSBO Kolstad reported that she is requesting about \$1 million of the remaining balance to be placed in the budget to cover several critical facility needs that should be addressed this school year to keep the buildings warm and dry through the winter and to stop further deterioration of facilities, such as roof repair, tuck pointing, gutter repair and compressor

replacements that are permissible to be paid using this fund. Dr. Heinz and CSBO Kolstad noted that a focused discussion on these and other projects, such as secured vestibules, would occur at the presentation of the Health Life Safety study and Master Facilities Plan scheduled at the upcoming Committee-of-the-Whole meeting on October 5.

### **Review Final Draft of the 2015-16 Budget**

CSBO Kolstad reported that tonight's review concluded the fund-by-fund expenditure walk through of the 2015-16 budget. She pointed out that a review of Working Cash Fund 70 was not needed, because administration had removed the initial budget showing a transfer to the Education Fund. CSBO Kolstad stated she would present a revised revenue report prior to the adoption of the budget on September 28, and noted there would be very few changes. She provided a tentative fund balance report indicating that total Operating Fund expenditures are expected to be about \$70.4 million balanced against revenues of \$72.7 million, which yields a surplus of about \$2.3 million for 2015-16. This would increase the projected Operating Fund balance to almost \$51.2 million on June 30, 2016, which is almost 73% or 262 days cash on hand.

### **Discussion of Bonding and Related Projects**

CSBO Kolstad introduced Elizabeth Hennessy of William Blair and Company to provide an overview of the District's financing options for capital facility projects. She noted the presentation was intended to provide the Board with options to consider how funds could be obtained in advance of the in-depth review of facilities needs at the upcoming October 5 COW meeting. Ms. Hennessy reviewed her study based on a possible scenario of providing \$20 million to fund capital projects over the next three years. She reviewed the District's current outstanding debt service that would be paid off by 2022. She noted that the District's debt limit is \$81 million calculated by a formula set forth by statute, and the District's Working Cash Fund bond limit is \$35 million, also as calculated by statute. She reviewed the three types of limited bonds the District could issue without a referendum to fund capital projects, if the debt service payments fit within the District's \$1.9 million debt service extension base (DSEB): working cash fund bonds, life safety bonds, and funding bonds. She noted the District recently utilized working cash fund bonds for the Field School project.

Ms. Hennessy then reviewed in detail the mechanism and impact of two non-referendum options for raising \$20 million. The first option would be to issue a total of \$20 million in non-referendum bonds in increments over three years, while the second option would be to spend \$10 million from the District's existing fund balance combined with issuing a total of \$10 million in non-referendum bonds in increments over two years. Ms. She, CSBO Kolstad and Dr. Heinz responded to Board member questions raised during discussion of these two scenarios, including the impact of reducing the fund balance on the long range financial projections to stay within the District's Operating Fund balance policy.

Ms. Hennessy then moved onto referendum options for capital, and identified the timing of possible elections in the 2016 through 2018 available to place a referendum question to local voters. She reviewed in detail the mechanism and impact of raising \$20 million or \$10 million through a bond referendum without increasing the District's annual bond payment. Ms. Hennessy also presented a third referendum option to raise the DSEB for capital projects from

the existing \$1.9 million to \$3.2 million, and provided an analysis of the mechanism and impact raising \$20 million or \$10 million for capital needs.

Board members discussed the advantages and disadvantages of both the non-referendum and referendum approaches, and the specific scenarios and combinations within each option. The Board consensus was that this information was helpful background about the District's financing options and good preparation for reviewing the Health Life Safety survey and Master Facilities Plan at the upcoming October 5 COW meeting.

At 10:38 p.m., it was moved by Board President Borrelli and seconded by Board member Lee to adjourn, which was approved by voice vote.

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President

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Secretary