

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

Minutes of the Community Finance Committee
held at 7:00 p.m. October 14, 2010
Raymond E. Hendee Educational Service Center
164 S. Prospect Ave., Park Ridge, IL 60068

Superintendent Philip Bender called the meeting to order at 7:02 p.m. Also present were: Board of Education member Sharon Lawson; Business Manager Becky Allard; Public Information Coordinator Bernadette Tramm; Lincoln Middle School Principal Joel Martin; District 64 Technologist Allison Blum; and CFC members Craig Elderkin, Renate Stolzer, Melissa Nelson, Paul Sheehan, Jeff Bork, Kendra Griffin, Kent Bergren, and Dan Shaughnessy.

▪ **Update on Administrative Staffing Model**

Dr. Bender reported that he is moving forward on a study of the District's Educational Service Center (ESC) organization, which had been recommended by the CFC last year. He is working with an outside consultant, Mr. Jim Warren, who has previously assisted the Board in goal-setting and other matters. Mr. Warren will review administrative staffing in light of the natural transition that will occur in the near future as most of the District's central office leaders retire. Dr. Bender stated that rather than automatically replacing each individual, the study would allow the District to have an overview of administrative job positions and responsibilities to see whether these are the best configurations for staffing for the next 15-20 years. Dr. Bender noted that the District must continue to be sensitive to costs as staffing is changed, while at the same time maintaining the quality of service provided and moving existing initiatives along. He noted that the transition would evolve over several years as turnover occurs.

Mr. Elderkin asked whether Mr. Warren's study would provide the Board with a more holistic model of staffing so that the Board can better evaluate whether a proposed staff addition makes sense and also could evaluate what job functions could potentially be reduced or jettisoned. Dr. Bender reconfirmed that the study was intended to identify if and how administrative assignments could be reconfigured to better provide mandated services and needed leadership.

Mr. Elderkin urged Dr. Bender to make periodic pruning an ongoing process as a means of reshaping the organization for greater productivity, and thanked Dr. Bender for the opportunity for CFC to contribute its thoughts.

▪ **Financing of Capital Projects**

Ms. Allard reported that the District had proposed at the October 12 Board of Education meeting a slate of \$1.5 million in exterior projects for summer 2011 at Jefferson, Emerson, Franklin and Carpenter schools. She also noted that the District is still awaiting word from the Federal Aviation Administration (FAA) regarding the sound insulation project at Carpenter, which would trigger several related projects there to be funded directly by the District.

During the discussion of these projects, Board member Eric Uhlig had raised the topic of considering whether the District should finance these capital projects through its operating funds or whether short-term borrowing for capital improvements should be considered. Ms. Allard said she was bringing this topic to the CFC for further discussion.

Ms. Allard stated that she had conferred with Elizabeth Hennessy at William Blair & Co. and ascertained that the District actually could sell up to \$27 million of short-term debt without referendum and that projects undertaken with such funds must be completed within three years. Typically, District 64 has completed about \$1-1.5 million in capital projects each year. Ms. Allard stated that a realistic scenario would be borrowing \$5-6 million for projects to be completed over three years; Ms. Hennessy had calculated this would raise the District's debt service levy by 8¢ per \$100 of assessed valuation per year; it is currently 12¢. The market is considered very favorable right now for selling bonds. She confirmed that the District had issued bonds for the construction of Emerson School, but that these had been approved by referendum.

Dr. Bender then noted the Board would be doing a facilities tour of each building during the year as part of its on-site meeting schedule. He stated that the District would be undertaking a comprehensive, long-term facilities plan to maintain its investment in buildings and properties, once the new Director of Facilities Management is on board in January. He noted that the summer 2011 projects are items needing attention more immediately, but that the District also must take a longer view about its buildings, including some that are 80 years old.

Ms. Lawson said a Facilities Committee at the Board level is going to come back to life to take a longer and more coordinated view of these needs, and will work with the new Director on this. Dr. Bender added that neighborhoods served by each District 64 school are invested in the school and that these neighborhoods would be engaged in the planning process. There also was discussion about providing air conditioning in the future at Field and Jefferson schools, the only ones not equipped, assuming the FAA does fund Carpenter.

Further thoughts were shared, and it was generally agreed that: money has never been cheaper to borrow; the District appears well-positioned to take advantage of this due to its current low use of debt; and, a long-range facilities plan is needed to identify and prioritize projects so a funding schedule can be developed. The group concluded that it appears worthwhile for the Board to consider the use of bonds in more detail, either for short-term projects or for longer-term needs when they are identified as part of a comprehensive plan.

▪ Update on Financial Projections

Ms. Allard announced that the Board would conduct a Committee-of-the-Whole meeting on October 25 to study the parameters in the model developed by its consultant, Strat Plan, for use in this year's update to the projections. The projections will be revised for the Board after the CPI-U is issued in January. Ms. Allard recommended that CFC members attend on October 25 to hear the Board's discussion about the parameters.

Ms. Allard then reviewed recent financial data. She noted that the District's total Equalized Assessed Valuation (EAV) for 2009 increased only .77% for the 2009 tax year compared to the 2008 tax year, and that new construction had decreased by 35% from the previous year. The multiplier for Cook County, however, is the highest it's ever been. The net result will be that the 2009 tax rate is virtually the same as a year ago, having grown from 2.5573 in 2008 for the operating funds to 2.5595 or a .09% increase. The total tax rate, including debt service, has increased only .03% from 2.684 in 2008 to 2.6853 in 2009.

Regarding the timing of property tax revenues, Ms. Allard reported that the bills are expected to be mailed in mid-to-late November, which means the District will not have tax receipts until mid-to-late December. In 2011, the first installment due date has been pushed to April 1 instead of March, but will still be 55% of the total.

▪ **Maine Township School Treasurer**

Ms. Allard announced that Ahlbeck & Co. has merged with Cleveland-based SS&G, an independent accounting and business consulting firm. After discussion, it was decided that District 64 would seek official notification from the Maine Township School Trustees of this transition to ensure that there is no change in Mr. Tom Ahlbeck's status as School Treasurer.

▪ **Update on Spend Management**

Ms. Allard provided an update on the following items:

- **Transportation** – Bid specifications for regular education transportation services are being finalized; the Board received a timetable for the process at the last meeting. Special education transportation is contracted by the Maine Township Special Education Program (MTSEP). Ms. Allard stated that she would work in fall 2011 with the business managers of the other MTSEP districts to develop bid specifications for those services.
- **Benefits** – Ms. Allard said the District would explore school insurance cooperatives as a means to save additional money and improve medical insurance coverage for employees. Although this year's 0% increase was excellent, Ms. Allard said the District is open to considering joining a pool, such as the Northern Illinois Health Plan (NIHP).
- **Property & Liability Insurance** – Ms. Allard said she was exploring other pools available to obtain coverage beyond the groups in which District 64 currently participates.
- **Architectural Services** – Ms. Allard said the District would be issuing a Request for Proposal (RFP) for services, with proposals due in early January.

▪ **Education Finance Fact Book**

Ms. Tramm announced that District 64 had determined that the Fact Book could be accommodated within the main District website, instead of being managed by a website design firm and hosted on an outside server. This would reduce costs and allow immediate access to the materials for updates. Ms. Tramm stated she was working with Ms. Blum on recreating the chapters on the District 64 site and transferring all materials, most of which were created in 2006-07. Ms. Tramm reported that she and Mr. Elderkin had met to review the existing chapters to determine what data and pages within each

chapter needed updating and to review the status of several new chapters; she distributed a detailed list. Mr. Elderkin provided a brief review of how the Fact Book was originally created to provide an objective, accurate source of information about education finance and District 64 in particular. Mr. Bergren volunteered to assist Ms. Tramm and Mr. Elderkin with updating the financial data, based on reports to be provided by Ms. Allard.

Discussion then turned to the possibility of providing financial statements in a more corporate style format and of better identifying what spending is contractual and what is discretionary. A new reporting format would have to be developed; staff time to create a new report also would have to be considered. Ms. Allard noted that the new Skyward financial system was producing a new level of detail for reports that should help the Board more easily track expenditures. She noted the first quarter financial report would have this greater level of detail. It was agreed to see whether the new reporting format provided the desired data.

▪ **Review of Alumni Giving Study**

Mr. Elderkin introduced the report, "Integrated Community Giving Program," which is intended to evaluate whether a meaningful revenue stream could be developed for District 64 over the next five years and beyond through contact with alumni and the solicitation of donations. He said the purpose of tonight's review is to gather further comments and suggestions prior to presenting it to the Board at some point in the future. Mr. Elderkin noted that Phase I includes the scope and assessment of the project and is based almost exclusively on time contributed by CFC members. As the phases progress through strategy development, detailed work planning and implementation, the balance will shift to being 95% District staffing and resources.

Ms. Nelson then introduced the findings and recommendations included in Phase I of the study. She stated that the conclusion is that an integrated community giving program could be built into a viable revenue stream generating \$500,000 annually by year eight. She noted that the program would generate revenues within four broad operations: annual giving; purpose-driven fund-raising; grants and fellowships; and an investment club. Social networking would be both the glue linking the efforts and a tool. Several case studies also were presented. She pointed out relevant statistics, benefits and obstacles on each. Mr. Elderkin then discussed the potential financial impact from these sources, including income projections and assumptions.

Various suggestions were offered and several concerns were identified as the report was reviewed. Specifically, Dr. Bender asked that the District's legal counsel review the proposal so that any problems can be identified before the project moves too far along; and, Ms. Allard similarly requested a review from the insurance providers to identify any concerns.

▪ **Review of Spend Management Annual Study**

Mr. Bergren presented the study team's analysis of 2009-10 data. He stated the team had reviewed more than \$40 million in spending, including more than 11,800 line items and more than 800 suppliers. He said that CFC now has six years of expense data in its analysis. CFC reviews specifically about 25% of total District expenses, which average

about \$8.5 million annually. The report has identified several categories for further analysis, including: computer, supplies, student fee materials, and printing. Ms. Allard noted the District would be doing new copier leases again this year. Ms. Nelson and Mr. Bork volunteered to assist Mr. Bergren with follow up on the spend study.

Mr. Sheehan noted on the expense pie chart that special education accounts for 6% of the six-year average annual expenses. Ms. Allard noted that special education has a large reimbursement level that is not reflected on that chart. Ms. Sheehan inquired about cooperatives. Dr. Bender noted that he had experience with cooperatives in his previous district, and that his district had been in the process of leaving a cooperative. He noted that District 64 had avoided costly due process litigation concerning special education, and emphasized that special education is a very difficult and intricate subject and that it evokes very high emotions from parents. Ms. Allard noted that each Board member had been individually briefed this spring about the District's special education program to gain a full understanding of expenditures, reimbursements and legal issues.

Next Meeting

The next meeting was scheduled for Thursday, December 9 at 7 p.m. at the District 64 ESC.

Dr. Bender adjourned the meeting at 8:50 p.m.

Minutes submitted by Bernadette Tramm