

**Oak Park and River Forest High School
201 N. Scoville
Oak Park, IL 60302**

**Finance Advisory Committee
Minutes
August 5, 2013**

A Finance Advisory Committee meeting was held on Monday, August 5, 2013, in the Board Room. Mr. Weissglass opened the meeting at 7:04 p.m. A roll call included the following members: Tod Altenburg, Thomas F. Cofsky, Judy Greffin (arrived at 8:05 p.m.), Sheila Hardin, Dr. Steven T. Isoye, Christopher Meister, Dr. Jackie Moore (arrived at 7:07 p.m.), David Pope (arrived at 7:10 p.m.), Robert Spatz, Peter Traczyk, Louis Vitullo, Penny Wallingford, and Jeff Weissglass. Members Dr. Tina Halliman and Karen Latham were not present. Also attending was: Gail Kalmerton.

Visitors: Sharon Patchak-Layman, OPRFHS Board of Education member and student Mason Stromm.

Introductions

Peter Traczyk has been a member of the District 97 Board of Education for six years and has three children in the Oak Park schools.

Sheila Hardin graduated from OPRFHS, student taught at OPRFHS, and was hired by OPRFHS to teach math right after graduating college. She is also the Chair of the Faculty Senate Executive Committee, has two children who graduated from OPRFHS and she lives in the Village of River Forest. She looked forward to working with the committee.

Mr. Weissglass noted 1) the first six committee agendas had condensed into three and 2) information would be provided to the community via the website.

Approval of Minutes

Mr. Cofsky moved to approve the minutes of the July 15, 2013 Finance Advisory Committee meeting, as presented; seconded by Mr. Vitullo. A voice vote resulted in motion carried. Ms. Hardin and Mr. Traczyk abstained from the vote as they were absent from this meeting.

Adoption of Committee Goals

The following draft goals were presented to the Committee members.

- 1) Recommend target range for size of fund balance.
- 2) Recommend expectations for an operating referendum.
- 3) Recommend guidelines for future tax levies.
- 4) Recommend communications strategies.
- 5) Provide advice regarding continuation of Finance Advisory Committee.

Mr. Cofsky moved to approve the following goals of the committee; seconded by Mr. Vitullo. A voice vote resulted in motion carried. Ms. Hardin abstained.

Book Discussion

Mr. Altenburg highlighted points in chapters 6-10 in the book "Taking the Mystery Out of Illinois School Finance, 5th Edition, written by Thomas A. Kersten, Roosevelt University.

Chapter 6 (pp.47-53)

- Schools can either borrow in the short term or in the long term.

Historical View (pp.47-48)

- Short term borrowing can be accomplished for immediate cash flow needs through the use of Tax Anticipation Warrants (limiting to use and 60 day term), Tax Anticipation Notes (unlimited in use and 2-year term), and/or Lines of Credit.
- Long-term Borrowing (p.48)
 - Debt margin calculation for FY2012 is:
 - EAV = \$2,170,008,263
 - Debt Limit is 6.9% of EAV = \$149,730,570
 - Total Debt Outstanding = \$18,465,877
 - Total Debt Margin = \$131,264,693
 - Total Net Debt Applicable to the Limit as a Percentage of Debt Limit = 12%
- Bonds types are 1) Working Cash, 2) Life-Safety (Every 10 years architect is hired to assess building, boiler or roof replacement, etc. Some schools pay them out of the operation fund, or the Life Safety Fund, or issue life safety bonds to pay down projects identified within a ten-year audit.), 3) Debt Certificates for capital projects which incurs interest, 4) Funding Bonds which are sold for specific purpose, i.e., buses computer hardware; and 5) Building Bonds (requires referendum for major renovation, addition to school, etc.) (pp.50-53)

Chapter 7 (pp.55-64)

School Districts consider the following when planning for the future 1) long-range financial planning (usually five years); 2) financial software tools, i.e., FPP from PMA; and 3) Revenue and Expenditure Assumptions. Projections become imprecise as years pass as there are many unknowns and adjustments need to occur along the way to strive for accuracy.

Chapter 8 (pp.65-86)

The largest expenditure for OPRFHS, as most school districts, is salaries and benefits for teachers, non-certified personnel, and administrators including insurance and Teachers Retirement System (TRS) and Illinois Municipal Retirement Fund (IMRF). OPRFHS pays 0.58% and the state pays 9.4% for TRS and OPRFHS expects to pay 11.4% for IMRF. Salary and benefits represent 73% of the operating budgeting. This percentage would be higher if the District were paying the full weight of retirement contributions. Mr. Altenburg will provide the number of staff in each category.

Chapter 9 (pp.87-98)

Financial distress occurs to districts under PTELL when revenues do not keep pace with escalating expenditures. That is the time when schools go out for operating rate referendums or a building bond referendum. When a financial insolvency occurs, a Financial Oversight Panel and the School Finance Authority take a major role in the District.

Chapters 10 (pp.101-105)

Emergency issues in school finance are: 1) equity and adequacy, school funding reform, tax cap and inflation, pension underfunding, state shortfalls, and the pace of legislative action.

Historical View

Mr. Altenburg reviewed the 20-year history of total revenues and expenditures. If the revenue minus expenses were included the highs and the lows would be clearer.

Mr. Altenburg presented a chart showing the history of all fund balances for 20 years which included the referendums passed and bond sales. In 1993, it was approximately \$8,400,000. Information for the 2013 year is missing. These are the compound annual growth rates from the starting and ending points and what the growth rate would be using CPI and ECI to get comparison. Because of tax service abatement, the budget shows a deficit of \$2 million.

Timeline/Background of the Phase-In

In March 2002, the voters approved a 65¢ tax rate increase in the Education Fund

- \$2.30 → \$2.95
- For tax year 2001, the first tax year post-referendum, OPRFHS D200 did not levy up to the maximum 65¢ increase in the Education Fund
- The actual rate that was achieved was \$2.77, 18¢ less than what could have been achieved
- This shortfall triggered the “phase in” provisions of the state property tax, and therefore, the question became not whether there would be a phase-in, but more importantly “How do we manage the phase-in provision of the law?”

At the same time, the EAV was increasing at a high rate, which caused the gap between the referendum rate of 2.95 and the actual rate to widen. And, the 2003 Downtown TIF agreement provided carve outs of EAV which the District also tried to capture. The Phase in provision allowed taxing bodies four years to implement the full rate increase. Mr. Altenburg noted each year’s rate from 2001 to 2006. As a result of the PTELL law, districts must specify the total limiting rate, which is a very complicated process. A suggestion was made to add the maximum potential of dollars to the chart. While the chart reflected only the Educational Fund, the District did levy more in other funds within the cap. The phase in was possible because the rate came in under target. The rate of 2.77 was not an intentional, strategic decision on the part of that Board of Education. It was the result of circumstances because the amount of growth in the EAV activity was under anticipated. The community discussion was an after effect of the lower rate as a couple of large scale new projects came on line.

The District considered a phase-in of the Levy in 2005 based on the following:

- The District was experiencing deficit spending again in 2005
- Operating fund balances were low
- D97 and the Park District were discussing a referendum and the Oak Park Library just passed a referendum
- Enrollment was increasing
- Life Safety 10-year (decennial) plan was behind schedule and resources were required
- Building deferred maintenance was severe
- Unfunded state mandates, special education compliance issues, graduation requirements changed, student achievement initiatives

The slope in the 20-year history chart, from 2005 to 2008, continues to be steep on the revenue side. Why? This is all revenue, not just the levy. The phase-in was the 2005 levy which was in fact 2007. The jump to the referendum compared to the jump due to the phase in is why people question the phase-in. As a result of phase-ins being higher than the original passage of the referendum when the dollar amount was set were tax caps. In 2005, the Board of Education carefully considered the situation and decided to take a partial amount of the total rate that was available. The District never levied the full \$2.95 in the Education Fund. Subsequently, the Board of Education also passed a resolution forestalling future referendums and the District successfully implemented cost containment measures, even as enrollment increased. Reserves continue to accumulate.

Mr. Altenburg presented historical and projected enrollment information. Ehlers group completed enrollment projections for both District 97 and District 200, looking at trends and using numbers based on the existing population. A comment was made as to whether the new all-day kindergarten had influenced families to move into the district. Enrollment projections for each District are posted to their respective websites. OPRFHS receives no additional property tax revenue if enrollment increases as it is an alternate formula state aid district in terms of General State Aid Funding. OPRFHS receives \$1.3 million

in state aid or approximately \$275 per student. District 97 falls under the foundation equation so enrollment increases have less impact to its budget projections than the high school. Mr. Spatz explained that both District 97 and District 200 get PTELL adjustments. District 97 was top in state as property values had increased greatly under tax caps. PTELL adjustments were designed to help districts using the foundation equation. It is a political discussion.

Current Year Budget Overview

Dr. Altenburg presented a preliminary current year budget overview for FY 2014.

Revenues:

<u>Fund</u>	<u>Amount</u>
Education	\$56,925,544
Operations & Maintenance	9,197,439
Transportation	1,687,486
IMRF/Social Security	2,580,863
Capital Projects (Interest earned)	3,600
Bond & Interest	3,500
Tort	1,156,731
Life Safety	1,210,343
Working Cash	950,151
TOTAL	\$73,715,657

Revenue Sources

<u>Source</u>	<u>Amount</u>	<u>%</u>
Property Taxes	\$61,221,898	83.1%
Other Local Sources (Food Service, Bookstore, TIF distribution, etc.)	6,790,162	9.2%
State Sources	3,827,008	5.2%
Federal Sources	1,876,589	2.5%
TOTAL	\$73,715,657	100.0%

Expenditures

Education	\$54,240,894
Operations & Maintenance	5,717,148
Transportation (Special Education & Team)	1,683,486
IMRF/Social Security	2,371,219
Capital Projects	6,682,933
Bond & Interest	3,074,534
Tort	1,178,728
Life Safety	833,893
Working Cash	0
TOTAL	\$75,782,835

General Instruction	\$25,796,790
Special Education	6,405,995
Vocational Programs	329,512
Interscholastic Programs	2,548,204
Summer School	291,293
Drivers Education	865,061
Other Instructional	3,669,627
Support Svcs. - Pupil	9,451,216

Support Svcs. – Admin.	15,833,777	20.9%
Construction	7,516,826	9.9%
Debt Service	3,074,534	4.1%
TOTAL	\$75,782,835	100.0%

The totals of the FY 14 Preliminary Budget are as follows:

FY14 Preliminary Budget	Totals
Revenues	\$73,715,657
Expenditures	75,782,835
Sources of Funds *	9,786,603
Uses of Funds *	(9,786,603)
Change in Fund Balance	(2,067,178)
Beginning Balance – July 1, 2013 (unaudited)	125,594,365
Estimated Ending Balance – June 30, 2014	\$123,527,187

The following transfers will occur:

- \$6,682,933 from Operations and Maintenance Fund to Capital Projects Fund for Construction Projects.
- \$616,290 from Life Safety Fund to Bond & Interest Fund to make the debt service payment for previous roof replacement project.
- \$2,487,380 from Working Cash Fund to Bond & Interest Fund to pay abatement of the B & I Levy for the 2012 tax year.
- Will the District continue to levy \$1.2 million in Life Safety when the projects were completed?
- The discussion needs to be mindful that capital expenditures change.
- Have the estimations reflected reality? The Advisory Leadership Team annually evaluates the parameters and does projections of cost containment in terms of savings on annual projects. PMA will provide the actual numbers. The ALT work focuses on expenses. A Long-Term Facilities Plan Committee will make a report to the Board of Education in September and then to the FAC in October.

Background Information

It was noted that following reference documents were posted at <http://www.oprfhs.org/Finance-Advisory-Committee/Supporting-Documents-Data.cfm>.

- 1) Annual Financial Reports (state-required reports)
- 2) Comprehensive Annual Financial Reports
- 3) Current Budgets
- 4) 5 - Year Financial Projection Reports
- 5) 20 - Year Revenue/Expense History
- 6) Fund Balance Information (Long-term Financial Stability mailer)
- 7) Bond Reports (OPRFHS has an AAA rating). A request was made to read the bond reports, if allowable. And the outstanding bond payment schedule. Look for trend year over year.)
- 8) FAC Background Memo

Update on Committee Requests

Mr. Altenburg presented the 5Sight/Forecast/Forecast 5 Analytics, a comparison of Cook County high school districts in the following areas. This information will be linked to the website.

- Operating Fund Balances
- Fund Balance per Pupil
- Operating Expenditures

- Fund Balance as Percent of Operating Expenditures
- Fund Balance as Number of Months
- Property Taxes per Student (Tax Capped Funds)
- Property Taxes per Student (All Funds)
- Expenditures per Student (Operating Funds)
- Expenditures per Student (All Funds)

Comments and questions regarding this data were:

- Are these standalone high school districts in Cook County?
- What are the high, mean and low high schools of the metropolitan area and what is the summary data?
- OPRFHS is a member of the Northwest Personnel Association and uses its information/resources in regards to recruiting. OPRFHS would compete for personnel with the members of this association. Is this the right group for comparison with regard to hiring, wages, benefits, academic results?
- What are the demographics with regard to race and income?
- The District 97 Finance Committee recommended that District 97 be compared to elementary districts (K-8) in four counties, e.g., DuPage, Lake, etc., with regard to finances and that report generated a list of approximately 200 schools. Using those parameters, OPRFHS would generate a list of approximately 15 schools.
- While the question was asked as to whether ORPFHS should be compared to other elementary districts, high schools formulas and expenditures are different than elementary schools. It was recommended that the comparison at the beginning of this journey be only of high schools.
- Cook County is an outlier in fund balances versus other counties.
- The FAC should review the work of the Advisory Leadership Team in order to understand expenditures and what is needed to go forward. The goal of the FAC is to focus on the revenue side, but it will look at the full model. PMA has a five-year model.
- It would be helpful to include the aggregate dollar amount and the growth rate trend in order to see what is happening in the community.

Moving Forward

The Committee reviewed agendas for the upcoming meetings.

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| August 19 | Steve Miller of PMA will present a projection and forecast model as well as a presentation on pensions both from a political viewpoint and how the various options will affect OPRFHS, i.e., best case, worse case, and expected case. |
| September 9 | Mr. Ali ElSaffar, Oak Park township assessor, and others will present the perspective of the community. |
| September 23 | Develop Options. A suggestion was made to run what-if scenarios in real time using an Excel with 2 or 3 baseline models, keeping in mind that the scenarios were direction and meant to shape the discussion and that they were not the baseline. |
| October 7 | Develop Recommendations |
| November 4 | Finalize Fund Balance, Tax Levy and Referendum Recommendations |
| November 18 | Finalize Communications and Future of Committee Recommendations |

December 2 Meet, if necessary.

Other requests.

- 1) Reach out to District 90 with regard to referendum influences.
- 2) Set up a specific OPRFHS email address for each committee member. Note: All communications can be FOIA'd. Discussion ensued about a group distribution email address.

The Committee members were reminded to take the Open Meetings Act Training.

Visitor Comments

There were no visitor comments.

Adjournment

Ms. Hardin moved to adjourn the meeting at 9:30 p.m., seconded by Mr. Weissglass. A voice vote resulted in all ayes. Motion carried.

DRAFT