

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

**Finance Advisory Committee
Minutes
October 7, 2013**

A Finance Advisory Committee meeting was held on Monday, October 7, 2013, in the Board Room. Mr. Weissglass opened the meeting at 7:02 p.m. A roll call included the following members: Tod Altenburg, Thomas F. Cofsky; Dr. Tina Halliman, Sheila Hardin, Dr. Steven T. Isoye, Karen Latham, Christopher Meister (arrived at 8:00 p.m.), Dr. Jackie Moore, Robert Spatz, Peter Traczyk, Louis Vitullo (arrived at 7:15 p.m.), Penny Wallingford, and Jeff Weissglass. Also attending was: Gail Kalmerton. Judy Greffin was not present.

Visitors: Steve Miller of PMA; Sharon Patchak-Layman, Ralph H. Lee, OPRFHS Board of Education members, student Ross Constable, Elizabeth Hennessey of William Blair & Company; Patrick Brosnan of Legat Architect, and Terry Dean of the *Wednesday Journal*.

Approval of Minutes of September 23, 2013 Meeting

No action was taken.

Current and Future Debt Financing

Ms. Hennessey presented the Committee with the same financial information that she had provided to the Board of Education at its September 26 meeting.

An historical AAA Municipal Market Data (MMD) Interest Rate graph was provided for the last five years, noting that rates were trending up. An additional graph was provided that showed the municipal yield curve comparison beginning in 2006.

Ms. Hennessey highlighted the following points from her presentation.

- 1) The cost differential for OPRFHS between an AAA Bond and an AA bond on a bond issue for \$36 million would be about \$900,000 in interest which would amount to a 2% to 2 ½% difference in the long run. This is present value based on the school's borrowing rate. Ms. Hennessey noted that OPRFHS was one of 28 schools in Illinois and one of 67 schools in the country that have Triple A bond ratings.
- 2) OPRFHS has two bonds that are paid with debt service levy. The bonds for the roof are callable December 2013; they are paid out of operating funds and there is no separate levy for this amount. Discussion had ensued about paying off the bonds' principal of \$5 million early with cash-on-hand and saving \$1,255,000 in interest costs over time. No prepayment penalty exists. This does not take into account the modest loss of opportunity over the next four or five years of investing the \$5 million. These funds are in the Operating Funds levies. This would not be a refund to the taxpayers.
- 3) The chart on page 8 shows the outstanding debt service from 2012 through 2028. The blue section represents bonding capacity. She noted that \$5 million could be enhanced from a non-referendum allowed under the tax cap, extending the debt into the future with a CPI factor added to it.
- 4) Page 9 set out the options of non-referendum and referendum options paired with the use of funds on hand and starting with \$5 million annually for facilities and \$600,000 of the Life Safety levy currently used to pay debt service on debt certificates for a project estimated at \$50 million.

- 5) Outstanding Debt Service are two issues – 2005 and 2009 Limited Tax Bonds and retired by 2016 or 2017. The District abated its 2012 debt service levy. Thus, the debt service tax rate this year for 2012 and payable in 2013 is 0 and will go to .13 cents absent another abatement. These bonds are limited tax bonds payable from debt service extension base. When the tax cap law came in, it initially did not allow any issuance of additional debt. In 1994 the tax cap was amended to allow districts to issue bonds as long as the payment for those bonds did not exceed the levy for debt service in 1994. For OPRFHS it was around \$2.5 million. In 2009, the law was amended to allow that debt service extension based to increase by CPI factor. The 2013 CPI is 1.7%, but it is unknown for the future. She used 2% as a guesstimate.

Debt certificates have to pay from operating funds, whether from Life Safety, O&M Fund, or Education Fund. On the abatement, the District could also use operating funds to transfer to the debt service and pay it off. However, if the debt service had an accumulated balance, one could pay off debt service obligations on page 8. One cannot use debt service fund balance to pay debt certificates. Mr. Weissglass stated his assumption that if the Board of Education had not abated, the Board of Education would have been levying a tax into the debt service account, so it is part of the tax bill to raise money every year. It is not taking fund balance money, it has been part of the annual tax to pay debt service. An option for future discussion would be whether or not to do the debt service levy or to levy and abate.

The 2005 General Obligation Bonds would be callable in the 2015 levy year or June 1 and December 1, 2015.

Long Term Facilities Committee Report

The FAC was presented with the Long-Term Facilities Committee report on facilities and pool. The main purpose is for FAC to understand the issues confronting the Board of Education on making decisions and advising on the long-term usage of the fund balance. It is not its purpose to look at the cost structure or make recommendations about which proposal to adopt. An email had been received from the aquatics community with some financing numbers about the cost of a pool and had been shared with the members.

Dr. Isoye introduced Patrick Brosnan of Legat Architect. Dr. Isoye noted that the Long Term Facilities Plan (“LTFP”) would be phased in over time. The swimming pool cannot be phased in and as such that is a different type of cost.

Mr. Brosnan noted that the LTFP is looking at all the facility components, i.e., curriculum, curriculum changes, increased enrollment, and how space may be used in the future. As such two options were created. While the school’s enrollment could be as high as it had been in years past (3900), the building’s use has changed. While the cost is not the main factor as both proposals range from \$35 and \$46 million, this is about the future use of space in the building. Choosing a master plan will help inform the process for capital improvements.

Both options would accommodate 3900 students.

Label C.1

85% Utilization Projection is a hybrid of classes and science labs.

Early Cost Projection: \$40 to \$46 million.

Flexibility and scheduling drives the utilization of the school. Generally, in this proposal, students should be able to attend the offerings they want. If the utilization of the building is a lesser percentage, it becomes harder for classes to be offered. A well run high school could be at 80% to 85% utilization. Early cost projections are based on a cost per foot to be renovated. The master plan is the updating of equipment and the LTFP are capital improvements. The capital outlays in the current operating budget do not overlap and the pool is outside of these dollars calculations. The purpose of providing any dollar figures is to get sense of scale between C1 and D1 only. No detailed level of understanding of the scope exists at this time. It is better to understand how the building would be used now and in the future, and then work through the concepts that are plausible or foreseeable. The biggest aspect is time versus money.

Mr. Brosnan stated that the major components of the building have been evaluated as to whether they are in the right places within the building. This plan moves the Welcome Center from the major student spaces to help insure adequate security. Special events, support services would move closer to the new Welcome Center. Although colors were used to identify spaces in the plans, it did not necessarily mean renovation. The major shift is how the two options address flexibility for the long- and short-term. One option attempts to use direct instruction space as much as possible. The other option will use space with the idea that staff would own their classroom/office space. With 85% utilization, faculty members would only be in the classroom for direct instruction. The other times they would go to a faculty studio/department office. Each staff member would have their own space and space to collaborate with others in their department. In addition, space was created for students, i.e., a tutoring center, think tank, interdisciplinary classroom (debate, etc.). Larger classrooms are being maintained and smaller classrooms would be made larger. This would provide more instructional spaces. The science department had already chosen this model. If it had not, the District would probably have to add 3 or 4 additional science labs to accommodate higher student enrollment. Enrollment will slowly gain and, therefore, the changes would not have to happen overnight. However, the District needs direction and as spaces need to be renovated, it needs to follow one path or another.

Concept D.1

62.5% Utilization Projection (a teacher occupies one room for the full day)

Early Cost Projection: \$35 to \$42 million

Less faculty office space would be needed because teachers would have their classrooms for the entire day. If science had taken that approach years ago, an additional six labs, at a cost of \$450,000 per lab, would be needed. The 62.5% utilization applies to other departments, not science. If more science labs were to be added, the challenge would be where to put them. Student collaboration areas were still provided.

Pool

Mr. Brosnan presented 4 location options for a swimming pool. Each option comes with positives and negatives.

Option 1: Land used by the tennis courts. This location could include a stretch pool, pool support, and covered parking. No soil or foundation studies yet have been

completed to know if this is a viable spot. The pool building footprint would be smaller than that of the tennis courts and thus covered parking could be offered or 2-3 tennis courts on the ground level. Neighbors feel tennis courts are community resource. Each option would return resources taken away. Tennis would be lost for two seasons.

- Option 2: Existing pool location. Enlarge it by digging down deeper to the correct clearances and structure. In effect, it would be building a new building within the same footprint. The concept came from building a new stretch pool; two pool locations that would not be needed. The negative is the pool size. It would make improvement but not to the level equivalent to the investment that needs to be made.
- Option 3: Parking garage for a stretch pool, pool deck, and parking. The purchase of the structure would be an additional cost. A pool could not be included on a top floor because it would be too heavy. More study would be needed to see if parking could be added on top of the structure, as it is a large, clear-span space. This would have minimal impact on other sports.
- Option 4: Visitor side of the Stadium. It would accommodate the pool building and the tennis courts and it would shift the play spaces to the north. The proposal includes the consideration that the fields will eventually be improved and graded. The benefit is that it would not impact the existing structure; it would be big enough to support the tennis courts and community use or covered parking. Tennis courts and pool would be underneath, and then parking.

Discussion ensued:

Q: What is a stretch pool?

A: An 8-lane pool, with a quarter of a lane on the outside of each, reduces friction and makes for better drainage. 25-meter pool with bulkhead (6 to 8 ft.), 6 separate lanes and two activities, could be diving. This overall pool length is 121 feet or 36 meters but called 25 because have to store the bulkhead. The width is 60 ft. or 18.28 meters.

Q: Could a stretch pool be put in the East option (existing location)

A: No, it would be only a 6-lane pool.

Q: What will happen with existing pools with these options?

A: The current pools would be needed during construction and no decision has been made as to how they would be utilized.

Q: Is there programmatic desirability for 50-meters vs. 25-meter?

A: The aquatics community would prefer a 50-meter pool.

Q: How would the school finance this project?

A: Options to be presented were an example and did not coordinate with the options via the architect.

- Q: Are these raw costs or do they include soft costs and contingency components.
 A: It does not include the soft cost and contingency components, which can be as much as 25%, and does not include inflation.

Ms. Hennessey then provided a hypothetical scenario that included the following components of financing:

- Estimated total project cost \$50M
- The following options review non-referendum and referendum options paired with the use of funds on hand
- Options I, II and III review the use of a combination of limited tax bonds and funds on hand in April of 2014, for projects starting summer 2014
- Options III, IV and V review the use of referendum bonds held on March, 2014 and funds on hand, for projects starting the summer of 2014
- District budgets \$5,000,000 annually for facilities budget
- \$600,000 of the life safety levy is currently used to pay debt service on debt certificates

Page 10 of the reported showed OPRFHS’s preliminary operating budget for 2014 to be \$113Million at end of 6/2013. The drawdown for capital projects out of Operations & Maintenance Fund (O&M) and the abatement are now reflected in the Fund Balance which is \$111 million.

- Option I: Project cost of \$50 million using \$36,600,000 (20 years) Max Limited Bonds and \$13,400,000 Funds on Hand. The chart on Page 12 listed the remaining debt service capacity. OPRFHS would have no additional non-referendum bonding authority for 20 years. The tax rate level would be \$.13 or \$.14. If the high school were to take this approach, the ending fund balance for 2014 would be \$93,608,897 or 156.12% fund balance of expenditures.
- Option II: Project cost of \$50 million using \$30 Million Limited Bonds and \$20 Million Funds on Hand. The district would have additional non-referendum bond authority in nine years. If this approach was used, the FY 2014 ending fund balance would be \$93 million instead of \$111 million or 146.58% fund balance of expenditures.
- Option III: Project cost of \$50 million using \$20 million Limited Bonds and \$30 million funds on hands. The district will have additional non-referendum bonding authority in 10 years with all debt repaid by 2024 levy year. If this approach were used, the FY 2014 ending fund balance would be \$79,240,931 or 132.16% fund balance of expenditures.

Below are the election dates at which the District could consider going for a referendum.

- | | |
|---|--------------------|
| • March 18, 2014 (the Board of Education would have to make a decision by December of this year.) | • November 4, 2014 |
| | • February 2014 |
| | • April 14, 2015 |

- March 15, 2016
- November 8, 2016
- February 28, 2017
- April 4, 2017

Options IV: Project cost of \$50 million with \$36.6 million in referendum bonds and \$13.4 million in funds on hands. This would be similar to paying off a 20-year mortgage with level debt service. In 2015, the District would have non-referendum bonding capacity. If this approach were used, the FY 2014 ending fund balance would be \$97 million or 163% fund balance of expenditures. Interest payment would be approximately \$2.9 million and would cost the homeowner on a \$300,000 approximately \$133 per year, an increase of \$.13 or \$.14 in 2014, 2015, and 2016, and then drop down after the 2016 non-referendum bonds were paid off.

Option V: Project cost of \$50 million with \$30 million referendum bonds and \$20 million Funds on Hands. The additional payments would be approximately \$2.4 million per year. Homeowners of a \$300,000 home would pay approximately \$109 more in taxes. The Fund balance would be \$91 million or 152% fund balance of expenditures.

Option VI: Project cost of \$50 million with \$20 million referendum bonds and \$30 million Funds on hands. If this approach were used, the FY 2014 ending fund balance would be \$81 million or 135.52% fund balance of expenditures.

Mr. Weissglass clarified that going for a referendum was not being actively considered at this time. He reiterated that only ideas were being presented to help the FAC and the Board to understand the full range of possibilities.

Fund Balance and Referendums in Other Districts

Mr. Altenburg presented a chart showing the high schools in Cook County that had their fund balance policies easily locatable online. Some policies were very general giving the superintendent the responsibility, others gave percentages, i.e., no less than “X” percent of the annual combined general and special revenue or in each fund, others gave “x” months of expenditures. The following policies were highlighted.

- Barrington’s fund balance policy set a ceiling, a floor, and an approximate number of days. Four years it was ago it was beyond its 40% target and it decided to build an early childhood center that had dipped into its fund balance and it was now trying to target in the middle range. This district has no cash flow problems as it is in four counties with a diversified tax base.
- District 97 wrote a fund balance policy in 2006, as a result of a Finance Advisory Committee work that Judy Greffin chair. It was revised in 2008-2009 and in May 2013. What changed was that after the referendum, it was realized that the low point balance focus was too low and, in light of District 200 and symmetry, a high point was needed. A state profile is 90 (3) and 180 (4) days and thus 25%, 50%, 75%. None of its 5-year projections go beyond 45%. District 97 determined that 75% was too high in light of Cook County’s recent on-time collection of taxes but determined that in the fall of 2012,

that this may not be a pattern. At the District 97 Board of Education meeting, Steve Miller was directed to work with the Business Office to look at the low and high ends.

Only two high schools have an upper end in their policies. Most have a lower range of 15% to 45%. This review is for instruction. District 97 did consider what to do if it bumped up at the higher end and reflected it in its policy. The Village of Oak Park also has fund balance policy with upper boundaries with explicit direction for timeframes for bringing that down.

Mr. Altenburg shared a chart as to Operating Fund Balances (FY 2012) comparing OPRFHS to other Cook County high school districts and a chart as to Fund Balance Per Pupil (FY 2012) for the same group. The chart shows that OPRF has the highest per pupil fund balance among high schools in the county. A question was asked if data were available to compare property taxes and expenditures per pupil.

Mr. Altenburg presented a document that showed school referenda results beginning in 2010. In April 9, 2013, the results were:

	<u>Passed</u>	<u>Failed</u>
Operating Funds	4	9
Bond Issues		
Building	2	9
Working Cash	0	1
County Sales Tax	6	12
Total	12	31

Mr. Altenburg provided the success of pass/fail rates of working cash bonds and building bonds since 1989. Building bonds passed at a rate of 57% and working cash bonds passed at a rate of 58%. Since the implementation of tax caps, the average success rate has been closer to 33%. Bonds for a specific purpose tend to be more successful. Tax rate referendums have a success rate of 36%. OPRFHS success rate has been 100% for the last eight referendums, but it was pointed out that past performance does not guarantee future success.

Revised Projections

Since the last meeting, Mr. Miller and Mr. Altenburg updated the projections, and added in the cumulative Delta FY 15-19 column showing the accumulative expected growth in both revenue and expense. The accumulated property tax is \$354 million and a half percent CPI equals \$4 million change. The assumptions remained the same, but a new schedule on the facilities capital spending was included (annual maintenance projects, including tuck pointing, chiller, etc.). The numbers are larger in the earlier years, but it averages \$5 million per year or \$25 million total.

The accumulated annual growth rate was added and now it is operating funds rather than all funds. Transfers are occurring out of the operating funds into the Capital Funds and thus revenue and expenditures will be more uniform than if non-operating funds had not been included.

In the most likely scenario, revenues are growing at 3.15% and expenditures 4.43.

At last week's meeting, Mr. Spatz gave a presentation on growth and expense and growth in revenue. In the best case scenario, the District is looking a 1.28% difference. Is that unduly skewed by the fact that no adjustments were made to the FY 2015 budget so that when one looks at FY 2015 projections, there is a large percent change in revenue that is larger than in going forward. When doing an analysis to say how the District is projecting the change in expenses versus changes in revenue, the committee should start the analysis beginning 2016, not 2015.

Past performance data shows that the 5-year revenue average through 2012 is 2% and the 10-year was 6.7 because of the phase in. The expense side for 5 years is 2.5% and for 10 years 2.7%. The faculty also took a freeze within the last 5 years. The average percentages that are most likely would be representative in the 10-year expense of 2.7% and the 5-year revenue of 2%. Data on a per student basis was not included but could be provided.

A graph using the comparison to prior projections (all Funds) shows a \$6 million improvement including the pension and early childhood expenses. The Committee had been looking at cross over points and fund balances into the future. In order to answer the question of how good projections were, the projections would need to go back five years. That was a different question from these assumptions/projections. Based on these updated projections, the District will not see a cross over until 2019.

Mr. Cofsky stated that this allowed continuity and in reflecting back on Mr. Spatz's work that was modeling without real data, it showed the general stability of the system at 1%, 3%, 5% and in the worst case it continued to ask for money. The most likely scenario of a 1.28% differential includes expenses of bumping up by the pension increase every year until it levels out at 8%. This amount is included and it is \$2 million beyond the control of the District.

Developing Guidelines: Next Meeting

Discussion ensued about next steps. Suggestions included:

- 1) At the next meeting, talk first as a group about developing guidelines and then break into working groups with four community members using administration as resources for an hour to determine what additional information might be needed. That information would then be shared with the whole group. Working groups could allow for more creativity and perhaps a commonality would be found.
- 2) In an effort to be efficient, committee members could provide their thoughts in writing which could be summarized with a set of bullet points that would facilitate the discussion toward the Committee's goals.
- 3) Structure the working groups at this meeting, allow them to meet prior to the next meeting, and report back at this next meeting.

The Committee members concurred with meeting in smaller groups to process the information and then come back with their thoughts to the full Committee. In response to a request from committee members, Mr. Weissglass suggested two groups of community members on the committee, which would be composed of 1) Ms. Greffin, Ms. Wallingford, Mr. Traczyk, and Mr. Vitullo, and 2) Mr. Spatz, Mr. Pope, Mr. Meister, and Ms. Latham. Mr. Weissglass encouraged these members to either meet in these groups, in other groupings of less than 4, or to work on their own if they preferred. It was also agreed that the groups or individuals should each

consider all of the issues, rather than dividing them up. It will be helpful to get the best ideas whether from a group or individually before the next committee meeting.

Visitor Comments

Joe Connell, resident of 530 N. Elmwood, Oak Park, represented the aquatics community. A packet had been distributed at the September 26 Board of Education meeting about potential revenue streams with certain pool considerations. He noted urgency because of impending regulatory requirements for pools. Fifty-two school closings in Illinois have put more demand on the pools that remain open. As such, more disease and injury occur in the pool environment because of that school demand, chemicals, slips and falls, etc. The Model Aquatic Health Code (MHAC) is trying to align building codes and health regulations. Presently pools do not have common guidelines; sometimes they are ruled by the county and sometimes by the state. The MHAC will be an alignment but tougher standards will be put in place for the operation of pools including disinfection, chemicals, training, and operating standards for existing pools. This will affect this community and the cost to operate the pools. The new regulation could be in effect as soon as the fall of 2014 or the spring of 2015.

Allison White, 818 N. Grove, Oak Park, has two children in the pool program. She asked for the committee to consider the income potentials, i.e., swim camps, lap swims, TOPS, as well as other teams. The capacity of a 50-meter pool is larger than a stretch pool. The 50-meter potential for profit is \$622,000 vs. a stretch pool of \$132,000. In one year the profit could be \$500,000 difference. Taking out additional costs for the 50-meter pool, the actual profit could be around \$300,000 per year. The number of people served would be far greater with a 50-meter pool.

Adjournment

Mr. Vitullo moved to adjourn the meeting at 9:30 p.m. on October 7, 2013, seconded by Dr. Moore. A voice vote resulted in all ayes. Motion carried.