

OAK PARK AND RIVER FOREST HIGH SCHOOL
201 N. Scoville
Oak Park, IL 60302

Finance Committee Meeting Minutes
November 6, 2012

A Finance Committee meeting was held on Tuesday, November 6, 2012. Ms. McCormack called the meeting to order at 6:36 p.m. in the Board Room. Committee members present were Terry Finnegan, Valerie J. Fisher (6:45 p.m.), Dr. Ralph H. Lee, Amy McCormack, Sharon Patchak-Layman, and John Phelan. Also present were Dr. Steven T. Isoye, Superintendent; Michael Carioscio, Chief Information Officer; Dr. Tina Halliman, Assistant Superintendent of Student Services; Amy Hill, Director of Assessment and Research; Philip M. Prale, Assistant Superintendent for Curriculum and Instruction; Nathaniel L. Rouse, Principal; Lauren M. Smith, Assistant Superintendent for Human Resources; Karin Sullivan, Director of Community Relations and Communications; Cheryl L. Witham, Assistant Superintendent for Finance and Operations and Treasurer; and Gail Kalmerton, Executive Assistant/Clerk of the Board.

Visitors included James Paul Hunter, FSEC Chair (departed at 6:54 p.m.); Brian Butler of Gallagher Bassett; Vernecia Davis University of Illinois intern, and Mary Jo Haley of the League of Women Voters.

Supplemental Debt Services Levies

It was the consensus of the majority of the Finance Committee members to recommend that the Board of Education approve the resolution for Supplemental Tax Levy at its regular November 15 meeting. In 2009, the Tax Extension Limitation Law was amended to allow the Debt Service Extension Base to increase by CPI similar to the aggregate extension base. However, bond counsel, Chapman and Cutler, will not allow District bond levies to exceed the currently known CPI. When the bonds were issued in 2009, the District was only able to access the .1% CPI increase for that year. The debt service in subsequent years assumed a 1.5% CPI increase to be conservative versus the historical average of 2.5%. Therefore, each year when the new CPI (2012 levy year is 3.0%) is learned, the District is allowed to extend sufficient taxes for debt service under the Tax Limitation Law to cover outstanding debt service which escalates by an assumed CPI of 1.5%. Given the 3% CPI for 2012, this should be the last supplemental debt service resolution the District will need to approve based on currently outstanding bonds.

Public Act 96-0501 – Debt Service Extension Base, provides that starting in the year 2009, the debt service extension base must be increased each year by the lesser of 5% or the CPI for the prior calendar year. This permits school districts to issue a greater amount of non-referendum bonds including life safety bonds, working cash fund bonds and funding bonds within their respective statutory limits.

Discussion ensued. Ms. Witham explained that the total overall levy would not be over 3%, because the debt had decreased. This resolution allows the District to increase the levy to meet the payment requirement on the refunded bonds. The District will only levy the exact payment needed to pay the debt, which is not a large dollar amount increase. This information is a repeat of what

was originally presented last year. Ms. Patchak-Layman accepted the report, but she noted that she would vote no to the resolution.

Presentation of 2012 Preliminary Levy

It was the consensus of the majority of Finance Committee members to recommend to the Board of Education that it adopt the 2012 Preliminary Levy as presented and to approve for display at its regular November 15 Board of Education meeting.

Ms. Witham presented the following information: The Property Tax Extension Limitation Law (PTELL or “tax cap”) limits the growth in property taxes to the lesser of 5% or the previous year Consumer Price Index (CPI-U) plus new property. The total tax received will not exceed the “tax cap” limitation. The value of new property is unknown to the District at this time and is therefore an estimate. Regardless of how much the District requests, no more than the maximum allowable under the law will be received.

The December 31, 2011 CPI-U was 3.0%. This is the CPI increase used for the 2012 Levy.

The limiting tax rate increased in 2011 due to the decline in EAV. The limiting tax rate is anticipated to increase slightly with the 2012 levy due to the anticipated 1.0% decline in EAV. However, the increase in taxes collected by the school district will be capped by the increase in CPI-U of 3.0%, plus the taxes on new property. The above chart reflects the total limiting tax rate for all funds. The 2002 referendum was a tax rate increase to 2.95 in the Education Fund alone. The current tax rate in the Education Fund is well below that referendum approval and is presently 2.1777%.

The total levy request is a 2.5% increase, which is 0.5% less than the December 31, 2011 CPI-U of 3.0%. The reduction is due to a reduced Bond and Interest Levy of \$521,784. The final payment for the 2003B issue is December 1, 2012. The 2003A and the 2004 debt are callable on December 1, 2013. As discussed previously, the District can invest \$5,025,000 of its fund balances to pay off the debt on the call date and save the community \$1,255,168 in interest payments. After paying off the debt in December of 2013, the levy would be reduced another \$500,000 per year.

The Truth in Taxation Act (35ILCS 200/18-60) requires a public hearing if the estimate of the aggregate tax Levy exceeds 105 percent of the amount extended the previous year. The 2012 Levy is expected to be 2.5% higher than the 2011 Levy. On December 20, the District will provide an opportunity for public comment concerning the Levy.

The Board of Education will make a final decision regarding the December 2013 Levy in the fall of 2013.

Presentation of Medical & Dental Insurance

It was the consensus of the majority of Finance Committee members to recommend to the Board of Education that it approve the renewal of health, dental and life insurance during the November 6 Special Board of Education Meeting following the Finance Committee. Brian Butler of Gallagher Bassett reviewed the various renewals presented.

Medical Renewal

The 2013 recommended unified medical plan renewal increase is 7% while holding the VEBA plan at a no change. Because of holding the VEBA plan at a no change, the low deductible PPO and HMO plans will receive a 7.5% increase. The actual needed increase for the PPO plan is 5.8% and the HMO increase is 11.1%. The recommendation from the Insurance Committee is to unify the plan increases as was recommended for the prior renewal with the exception of holding the VEBA plan at a no change. Unifying the plan increases has occurred the last couple of years. The reason the recommendation is to unify the premium is that the HMO plan remains less credible on its own due to the smaller population in the plan. The HMO and VEBA plans are less expensive options for both the District and employees. By unifying the increase, it insures the proper share of risk to spread across the plans. The PPO plan is a more costly plan, therefore it should cost more to purchase the coverage. Holding the VEBA plan at a no change provides encouragement for more employees to enroll in the VEBA plan, as it is the least costly plan and encourages consumerism.

The insurance committee also recommended a couple of programs with Prime Therapeutics, the pharmacy management company for the medical plan. These programs include prior authorization, step therapy, and specialty pharmacy. Prior authorization targets certain drugs that are sometimes misused or over prescribed and adds a safety net to ensure the medication is being prescribed for the appropriate conditions. Step therapy requires that members try lower cost alternatives prior to using the higher cost brand name drugs. Specialty pharmacy targets those high cost medications that tend to cost over \$1,000 per injection and provides those members with some added help with what to expect from the medication including side effects.

The overall medical renewal is below medical trend, which is at 10% nationally.

Dental Renewal

The 2013 recommended dental plan renewal decrease is 0.2%. The insurance committee recommends holding the rates at a no change. This will help in administration of the plan, as payroll will not have to change payroll deductions for such a small change. The dental plan claims have held steady over the past three years, which accounts for the decrease.

Stop Loss Renewal

The current stop loss carrier is Blue Cross and Blue Shield. The stop loss increase was at an acceptable increase compared to the market, which was trending at 20% and OPRFHS was at 10%.

When asked what the meaning was of HMO being less credible due to small population in the plan, it was explained that OPRFHS has 134 employees enrolled in the HMO plan and that number does not make the plan predictable, one person could swing things right or wrong.

In response to questions as to whether the self-insurance fund increase was based on employees not needing to file large claims and whether increases occurred last year and was there discussion about using that fund's money to cushion the increase on these insurance premiums, Ms. Witham stated that OPRFHS manages its own reserves. The District insures that it is fully funded to the aggregate stop loss attachment point and three months lag for claims. The Insurance Committee

determined the District was adequately funded, even with the high claims, which were currently trending at 104% of expected claims.

Life & LTD Renewal

The Life, AD&D, Voluntary Life, and Long-term disability coverage are with MetLife and MetLife has offered a rate pass for 2013.

Presentation of Contract with Sunbelt

It was the consensus of the majority of Finance Committee members to recommend that the Board of Education approve the contract with Sunbelt Staffing as presented at the Special Board of Education meeting immediately following this meeting. This firm will provide the District with assistance in speech services, required by students' IEPs. This is for a part-time speech pathologist, and that person is only paid for the hours worked.

Presentation of the Check Disbursements & Financial Resolutions

It was the consensus of the majority of the Finance Committee members to recommend that the Board of Education approve the Check Disbursements and Financial Resolutions dated November 6, 2012 at its Special Board meeting following this meeting.

In response to a question regarding the payment to the Village of Oak Park, Ms. Witham explained that the payment is part of the Village ordinance that requires the District to pay the Village for parking and police services at football games.

Presentation of Monthly Financials for July, August, and September 2012

It was the consensus of the Finance Committee members to recommend that the Board of Education approve the Monthly Financials for July, August, and September 2012 at its regular November 15 Board of Education meeting.

Adjournment

Ms. McCormack adjourned the Finance Committee meeting at 6:54 p.m.

Terry Finnegan
President

Amy McCormack
Secretary