

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

Finance Committee Meeting Minutes
July 8, 2014

A Finance Committee meeting was held on July 8, 2014. Mr. Cofsky called the meeting to order at 5:01 p.m. in the Heritage Room. Committee members present were Thomas F. Cofsky, Dr. Ralph H. Lee, and Jeff Weissglass. Also present were Dr. Steven T. Isoye, Superintendent; Tod Altenburg, Chief Financial Officer; and Gail Kalmerton, Executive Assistant/Clerk of the Board.

Visitors: Kimberly Werner, community member

Visitor Comments

None

Long Term Capital Plan – A process to better identify and keep track of the years and phases being discussed

Mr. Cofsky provided his perspective of the prior committee meetings. Two meetings ago, the Committee determined that the amended budget and reconciliation processes as well as the five-year projection model process should be documented. This should be forthcoming in August. At the June 19, 2014 meeting, discussion ensued about a process and form to be used that would create transparency and consistency when reviewing incremental resources, including capital improvement projects that span multiple years, in order to help the Board of Education better understand the financial needs, the steps of the process, the timelines of where these expenses will occur in order to provide a holistic view.

Mr. Altenburg noted that OPRFHS was fortunate to have the foresight of Director of Buildings and Grounds Zummallen, to know what needs to be completed in the building and that OPRFHS has the resources for long-term capital planning, and by going out to bid early allows the District to secure better pricing. Long-term capital projects entails much planning. In 2013, the District finished last year's construction projects, went out to bid for 2014 construction projects and then drew up the plans and costs for the construction projects that were on the docket for 2015. Having a fiscal year that goes from July 1 through June 30, also complicates matters. Buildings and Grounds develops a long-term plan which the Board of Education approves and is included in the 5-year projections.

To help people understand the process better, a dashboard was prepared of hypothetical construction project expenditures in order to show where the District was in the process each year. The Committee reviewed this document. It is important to notate the flow of expenditures. Last year bids came in lower than anticipated and it was decided that an air-conditioning project would be forward. Thus the expense for that project needed to be tracked and deducted from a future year's projects and expenditures.

Discussion ensued about budgets and variances and whether the right amount of contingencies were being set. Should the contingency be lowered so that it is more realistic? An observation was made that the capital expenses were higher than predicted in 3 to 5 years and the reasoning was that during the recent recession the District had an opportunity to obtain great pricing on a significant amount of deferred maintenance, so it front loaded some of the projects. Mr. Weissglass commented that the District needs to be careful that it does not spent extra money and take advantage of the savings over a 5-year period and allow the taxpayers to benefit from those savings. Mr. Cofsky said it was important to use the original plan as an anchor.

Dr. Lee appreciated that the Board of Education was doing more meaningful financial oversight at this time. Members of the Finance Advisory Committee, Mr. Cofsky and Mr. Weissglass, both noted that the focus of the FAC showed the need for this kind of work. The FAC's discussion included five-year variances and the five-year plan. While the question was asked if the five year plan should be a rolling plan or if the District should wait five years before making another one, based on capital, etc. Mr. Altenburg felt that a rolling plan was healthier, as numbers were more complete and projects were prioritized. Mr. Cofsky said this year the 5-year plan is anchored. The next layer in year six, which would be added to the plan. The anchor is to help see the variances and the trends visible from a process standpoint. The District seeks information from the engineers as to what construction projects are in process and the audits assist in posting the projects to the correct fiscal year. Most of the work is completed in the summer, but there is a winter component as well.

Building Improvement Cost and Process

Discussion also ensued about allocating construction items into two categories, i.e., ground and maintenance (keeping the building in good condition and enhancing energy efficiencies) and classrooms. Mr. Altenburg will reconvene the Long-Term Facilities Committee to focus on classrooms as the building will have to accommodate increased student enrollment, including developing additional space for lunch.

Dr. Lee wanted some insight into how projects were chosen, were they chosen over other projects in the five-year plan. Mr. Cofsky stated that if the process works, the choices are being made. Mr. Altenburg noted that instead of teachers and division heads going directly to Mr. Zummallen for items, anything having to do with construction will go directly to Mr. Altenburg as he has the instructional vision. Dr. Isoye noted that the District has a plan, i.e., air conditioning classrooms or asbestos, which shows careful thought and planning and scheduling consideration. It had to be scheduled over several years as the scope of the work would be too long and could affect the financial stability of the school. Mr. Altenburg noted that the District levies for as much as possible in O&M and then transfers it to the Capital Projects Fund. Mr. Weissglass felt that the Board of Education could help by creating a marginal deficit policy that says expenses will only grow by CPI +1, etc., and to the extent that some projects would be paid for out of the fund balance, i.e., some costs for increasing enrollment (fund balance rather than something else), swimming pool, etc. This would be a way to force choices.

A suggestion was made to send the draft chart to the Board of Education members. Mr. Cofsky stated that if the Board of Education wants to use this tool, Mr. Altenburg should populate it with the construction/maintenance pieces, the actual data, and put it into practice. He suggested two modifications:

- 1) Anchor the long-term plan;
- 2) Note a brief explanation if funds are moved around.

Special Education Costs – legalities that tie up resources, the metrics of various programs, costs of in-district and out-of-district services

The Committee reviewed a chart of Special Education Expenditures that encompassed the years from 1998 through 2014 which showed the percentage increase or decrease from one year to the next for both revenue and expenditures. The actual numbers for 2014 will be updated. The expenses included the items in the Education Fund, IMRF, Social Security, Transportation, and Total Expenditures, year over year. The offsetting revenues included local, state and federal funds.

The chart showed that the net cost has increased 85% over a 10-year period, which is compounded at 6.3% per year. In the most recent 3-year period, there was a 44% increase. Outplaced tuition costs and transportation had risen dramatically. The offsetting revenue increased 52% over that same 10-year period.

This data should be reviewed with great sensitivity. Individual Educational Plans (IEPs) are legal documents and the District is required to provide services based on what the IEP mandates, some areas allowing no district discretion. Mr. Weissglass noted that OPRFHS does the work of the Special Education well and the District wants to continue that quality of work. In some of the work he does in national conversations about the future of education, he felt IEPs would be great for every student. Special Education is an unfunded mandate and its cost continues to rise. The Board of Education needs to understand the work, manage it well, and think about legislative solutions outside of it as its cost is 20 percent of the education budget and puts a tremendous pressure on the budget. This piece has not been part of the conversations in the community about managing the tax rate and marginal deficit occur, and it should be as it is a huge driver. Mr. Altenburg noted that the administration will provide analysis of the issues in the budget narrative.

Mr. Weissglass had the following observations/questions:

- 1) Is it possible and does it make sense to include the number of students being served by the budgets each year? IEPs? Subcategory, i.e., off campus? How will the professionals look at it?
- 2) What is the per student cost for services?
- 3) The SPED levy are fiduciary obligations are the students of oak park are paying taxes so in understanding the numbers the offsetting revenue from outside the district I would compare to the expenses, not including the levy, because the expenses is all that is born, beyond property taxes.
- 4) What is the net cost to the property owners, **8.6 + 714 (levy).??**
- 5) Is a bigger levy or a referendum needed?
- 6) The transportation reimbursement stopped 3 years ago.
- 7) How was the stimulus money used?
- 8) How does one draw the line between the students identified as special education and who also take regular education classes? Mr. Altenburg stated that it comes from the CAFR; it is coded by function, which means, school psychologists in one part of the budget, Teacher Assistants in another part of the budget, administrators in another, etc.; it is extracted information. Mr. Altenburg will provide an acknowledged way of accounting for this to the committee members. Mr. Lee felt that the kind of distribution of the costs might be a Board of Education discussion.
- 9) Who else should be in this conversation? How are other districts facing these rising costs? Mr. Weissglass recognized Ms. Werner's presence at this meeting as an advocate for special education services. This is a complex conversation, and Board of Education wants to make sure it is honoring the students, the parents and the community. This is the beginning of the conversation.

Next steps will include updating the chart using metrics and having the administration help the Board of Education to understand it. Does the District need to consider doing things differently?

Dr. Isoye was concerned about the amount of work that would be required of the Interim Director of Special Education and the Chief School Business Official to respond and the consequence might be that other work might not be accomplished. The Interim Director will review current programs and determine if the District is serving students in the best way possible and/or if the delivery model is appropriate. The Committee members considered this information and noted that this information would be vital to have as the District looked to hire a permanent director, i.e., the economics and efficiencies of the department. The Committee also questioned the legislators' role and whether this was a conversation in Springfield. Senate Bill 16 does have a place for Special Education, but the formula is not large enough. Should OPRFHS consider banding with other schools and lobbying for a change in the formula? This information has implications with regard to relationships with the citizens of this community. The Board of Education needs to have a deep understanding of its budget and the drivers, particularly at the time when it decides the levy. Dr. Lee felt the administration should help the Board of Education better understand the long-term view of finances. He acknowledged that some Board of Education member requests had taken too much time, but he felt this should part of the administration's regular work.

Mr. Cofsky asked what the Committee wanted to have for its discussion on the fund balance policy/marginal deficit at a future meeting. The determined that it wanted to start the conversation with the FAC's financial practices recommendations, which were discussed but not adopted:

- 1) 1. e. Establish limits on and monitor marginal deficits, defined as change in expenses minus change in revenue, with guidelines as to what's included;
- 2) Creating a target range for the fund balance; and What pieces are about annual operating expenses and what pieces are outside of that. The fund balance should be considered as separate.
- 3) Determine what expenses are annual operating expenses and expenses outside of that. Capital expenditures are included in the operating budget that there is discretion.

Dr. Lee had voted against the \$10M tax levy reduction because this type of discussion had not occurred prior to that decision. He had calculated that if the Board of Education decided to reduce the fund balance, it should do so over a 4 to 7 year period so not to have a drastic effect as opposed to a shorter time period. He understood the political price paid by sitting on the money without doing any analyzing. He felt the analysis that was beginning was a major tool for deciding an appropriate fund balance size and how to change it.

New Business

Ms. Kalmerton will schedule the next special Finance Committee for late August or early September to discuss item V. Fund Balance Policy/Marginal Deficit Policy

Adjournment

Dr. Lee moved to adjourn at 7:10 p.m.; seconded by Mr. Weissglass. A voice vote resulted in all ayes. Motion carried.