BOARD OF EDUCATION
COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64
Minutes of the Committee-of-the-Whole: Finance Meeting held at 7:15 p.m.
February 6, 2017
Jefferson School-Multipurpose Room
8200 Greendale Avenue
Niles, IL 60714

Board President Anthony Borrelli called the meeting to order at 8:20 p.m. Other Board members in attendance were Vicki Lee, Mark Eggemann, Bob Johnson, and Tom Sotos. Scott Zimmerman was absent. Also present were Superintendent Laurie Heinz, Chief School Business Official Luann Kolstad, Assistant Superintendents Lori Lopez and Joel Martin, Director of Innovation & Instructional Technology Mary Jane Warden, Director of Student Services Jane Boyd, Director of Facility Management Ron DeGeorge, Assistant Business Manager Brian Imhoff, Public Information Coordinator Bernadette Tramm, and about 25 members of the public.

Board of Education meetings are videotaped and may be viewed in their full length from the District's website at: http://www.d64.org.

Board President Borrelli said the purpose of the meeting was to receive several reports related to financial planning for future years.

Enrollment Projections for 2017-18 School Year and Discussion on Staffing 2017-18
Assistant Business Manager Imhoff noted that projecting student enrollment is the first step in predicting staffing needs for the upcoming school year. He reported that last year, the District began using the cohort survival method, which is considered more reliable than a straight rollover projection. He noted that predicting kindergarten enrollment is the most difficult part of preparing each year's projection, and reported that a large number of families with school-age children have moved into the District within the last five years. Assistant Business Manager Imhoff reported that total enrollment is projected to increase by 45 students to 4,500 in grades K-8 for 2017-18.

Focusing on staffing, Assistant Superintendent Martin noted that the District's projections indicate that maintaining the current class size guidelines for the expected 2017-18 enrollment would require the addition of four additional sections overall to maintain the District's current class size guidelines. In addition, he noted that four other sections are being watched as "bubbles," as they are within three students of exceeding the class size guideline. Assistant Superintendent Martin explained that in addition to adding a classroom teacher when a new section is opened, special sections, such as art and music, also are affected and may require additional staff or an increase in Full Time Equivalent (FTE) in one or more areas. Assistant Superintendent Martin also provided an overview of the process for adding staff when a class exceeds the guideline prior to the opening of school. Assistant Superintendent Martin reported that the District is not recommending the hiring of any additional staff due to changes in programs or services for 2017-18, and that the only changes foreseen at this time are those resulting from fluctuations in enrollment. He also reviewed the plans for conducting the more limited Reduction-in-Force (RIF) notifications required for the 2017-18 school year, which will be brought to the Board later this spring. He summarized by reviewing a potential staffing request of 4 teachers for classes that have exceeded the class size guidelines using the District's enrollment projections, 4 teachers for classes that are currently within 3 students of exceeding the class size guideline and are considered “bubbles,” and 2.5 teachers for “bubble” sections for specials, such as art and music, should an extra section be needed for a total of 10.5 FTE. Both Assistant Superintendent Martin and Assistant Business Manager Imhoff responded to Board member questions throughout their presentations.

Financial Projections
CSBO Kolstad noted that the District updates its long-range projections as part of its annual financial cycle once the tax levy has been adopted in December and the CPI-U for the next tax levy year is released in mid-January. She then reviewed the assumptions used in the projections. For revenues, she noted that the actual 2016 CPI-U at 2.1% would impact 2017-18 and 2018-19 revenues and is considerably higher than the last three years. She said that future years were assumed to have a CPI of 1%, and that no changes were made in assumptions for state and federal funding. Turning to expenditures, she noted that the updated enrollment projections just presented had been incorporated, and that for budget purposes, 5 class teachers and 1 special area teacher would be added. CSBO Kolstad noted that salaries were adjusted based on the new, four-year Collective Bargaining Agreements (CBA) with teachers and teaching assistants, and that net savings from the retirement incentives from the new CBAs for known retirements in the next two years had been included. CSBO Kolstad reported that Operations & Maintenance expenditures would continue at $0.5 million per year and that repayment of Debt Certificates, which will be introduced during the next report, had also been included at the recommended $800,000 beginning in 2017-18. CSBO Kolstad noted that a pension cost shift from the State of Illinois to the District would continue to be included as part of the District’s conservative approach in assumptions.

CSBO Kolstad then reviewed the summary of the updated projections for the next five years, which show the Operating Fund balance decreasing gradually from the 219 days at the close of the currently budgeted 2016-17 fiscal year to 173 days at the end of the 2020-21 fiscal year. She noted that this would still be above the District’s fund balance policy of 120 days, and would meet the Board’s extended goal of surpassing the 2007 referendum promise to operate for a decade without further rate relief by at least four additional years. CSBO Kolstad responded to questions throughout her presentation, providing clarifying information. Board members discussed the current assumption that revenues each year are based on the District levying to obtain the full amount legally entitled through the tax cap Property Tax Extension Limitation Law (PTELL), and explored what the impact might be to the District over time if the levy were not raised each year either by a state-imposed property tax freeze for one or two years or by the Board’s own decision. CSBO Kolstad reiterated that unlike local municipalities, school districts may not raise the levy at its pleasure from year to year but rather are under the strict parameters of the tax cap restrictions. She noted that lost revenue actually compounds quickly in just a few years, so that omitting even one year has significant lasting impact since it can never be captured again. CSBO Kolstad will prepare several “freeze”scenarios for future Board consideration.

Funding of District Construction Projects
CSBO Kolstad reported that Elizabeth Hennessy from William Blair had updated a financing plan to provide a framework to fund approximately $33 million in Health Life Safety and Master Facilities Plan projects the Board had reviewed in depth most recently at the November 28, 2016 meeting. Ms. Hennessy briefly reviewed the current state of the market and District 64’s outstanding debt, before presenting a five-year plan that would match funding needed each year through summer 2021. She identified a framework that would utilize cash, debt certificates, and limited bonds to accomplish the work. She noted that the recommendation would be to issue debt

certificates first, use the District's available cash second, and then issue limited bonds for the remainder. Because they are a new type of funding tool for District 64, Ms. Hennessy reviewed with the Board how debt certificates are structured. She noted that they are paid back from the District's operating funds, and that there is no separate tax levy for them. Ms. Hennessy pointed out that the District would be pledging $800,000 each year to repay the debt certificates from the operational savings the District expects to achieve through staff retirements related to the new CBAs with teachers and teaching assistants that CSBO Kolstad had described in the previous report, along with exercising cost containment. Ms. Hennessy also reviewed the cash available from an original $10 million the Board had previously designated for capital projects.

Turning to the limited bonds, Ms. Hennessy outlined a proposal to issue bonds in 2019 and 2020, and to make use of $2 million in accumulated fund balance in the bond and interest fund. She noted that the debt service tax rate would be dropping because of the retirement of much of the District's previous outstanding debt, and that the new limited bonds would restore some, but not all, of that debt service rate that taxpayers had become accustomed to. In summary, she noted the framework would use debt certificates to provide $9,250,000 to be repaid over 15 years; cash of $3,500,000; and 2019 bonds to provide $9,700,000 and 2020 bonds to provide $10,544,141 both to be repaid in 10 years, for a total of nearly $33 million. She noted that the plan also gives flexibility beginning in 2024 without refunding existing bonds for future boards to issue more bonds if needed, and that breaking up most of the funding under $10 million per year would allow the bonds to be bank qualified resulting in lower interest rates than non-bank qualified bonds. Ms. Hennessy, CSBO Kolstad and Dr. Heinz provided clarifying information about the proposed plan as Board members discussed the proposed framework and identified advantages and disadvantages.

CSBO Kolstad and Ms. Hennessy also briefly reviewed a proposed schedule to move forward on implementing the framework to prepare for issuing debt certificates and seeking authorization for limited bonds this spring. Ms. Hennessy reviewed the several steps in the process to authorize the issuance of bonds. She noted that once the Board had completed all the steps, it would have authorization in place to issue the bonds and could do so within the proposed timeframe based on market conditions and the pace of the projects. Board members also discussed the implications of using debt certificates for the first time, which would require fiscal discipline in ongoing operations. Further discussion ensued about the financial projections presented earlier in the meeting and the possible impact of a property tax freeze on District revenues or other unforeseen actions that could place unanticipated pressure on the District's budget.

At 11:01 p.m., upon motion of Board member Eggemann and second of Board member Johnson, the meeting was adjourned by consensus.

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President

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Secretary