GENEVA COMMUNITY UNIT SCHOOL DISTRICT NUMBER 304
227 NORTH FOURTH STREET, GENEVA, KANE COUNTY, ILLINOIS
FINANCE COMMITTEE MINUTES

The Board of Education Finance Committee met at 5:30 p.m. on Monday, September 9, 2013, at Williamsburg Elementary School, 1812 Williamsburg Avenue, Geneva, Illinois.

1. CALL TO ORDER

The meeting was called to order at 5:35 p.m. by Chairman Wilson.

Committee members present: Dave Lamb, Kelly Nowak, Bill Wilson, Tom Anderson.

Administrators present: Donna Oberg, Assistant Superintendent Business Services; and Dr. Kent Mutchler, Superintendent.

Others present: Les Dixon, Leslie Juby, William Alles, Susan Sarkauskas (Daily Herald), Bob McQuillan, John McCormick, Wynn & Marilyn Church, Linda Odom, Laurie Burns.

2. PUBLIC COMMENT

None.

The Committee Chair informed audience members that he would try to accommodate comments/questions as they moved through the William Blair presentation.

3. APPROVAL OF MINUTES

3.1 August 12, 2013
Motion by Nowak, second by Lamb, to approve the minutes, as presented. Ayes, three (3). Nays, none (0). Motion carried unanimously.

4. DISCUSSION/CONSIDERATION

4.1 2013-2014 Committee Discussion/Decision Schedule
Discussion: Are both Geneva and Blackberry assessor presentations confirmed? (No, only the Blackberry assessor is confirmed at this time. The PMA presentation for October 15th at 5:30 p.m.)

It was the consensus of the members that the discussion/decision schedule was okay as is and could be revised, if necessary, during the year.

4.2 Long-term Debt Presentation/Discussion, William Blair, Elizabeth Hennessy
Elizabeth Hennessy reviewed the District's outstanding debt/debt structure from 1998 through 2013, bond issue dates, whether bonds were callable or non-callable, and abatement/refunding options to level debt payments.

Current abatement strategy is when surplus occurs in the Education Fund, the District abates amounts in excess of $15M minimum the following fiscal year. A $5.28M surplus is estimated in FY 2013 to abate but we will need to wait to see audit/accrual amounts to confirm. The surplus reported doesn't include the impact of any pension reform legislation at the State level. All of the scenarios in the report assume a levy of CPI. The industry norm is ten years after issue before municipal bonds are callable.

At the request of a Committee member, Hennessy provided the definition abatement. She noted that the District must request the assessor to reduce the amount and the amount must be filed with the county so that taxpayers don't pay that dollar amount.

The District received all four state payments for 2012/2013 but will probably only receive three payments in 2013/2014. The District is trying to focus on debt payments. Keeping abatements spread over several years, and avoiding a large jump by keeping the debt structure level is a less painful scenario for taxpayers.

While the PMA projections for EAV/new growth may be a little high, we continue to focus on leveling the amounts with modest increases in debt service and keeping it level for as long as possible.

Hennessy explained that "refunding" issues new bonds to replace existing bonds; pays off old bonds. There are advantages and disadvantages and the cost of additional interest. The longer we can put off refunding the better because there are savings the longer this could be put off.

Board comments:
Refunding pushes out the cost to future taxpayers, which is why we are in the situation we're in now. Growth stopped and there is no guarantee of new growth in the future. While using cash to defease bonds (pay off bonds that are callable in the future) is a possibility, it doesn't fix the debt structure.

While there is about $10M in the Working Cash fund, some of the Working Cash funds are invested in bonds and are not callable. The Board made a commitment to use the Working Cash funds in order to avoid borrowing (Cash Anticipation Warrants) to meet financial obligations. Working Cash also allows the District to abate and keep our high financial rating.

I question that commitment and the advantage of it to the community.

Once we have levy amounts, I'd like to see what we have available to reduce principal and what PMA says in their presentation.

(Financial rating is important to those purchasing bonds; they want agencies to have good fund balances. Cash defeasance is great when you're at the call date. The call date is the key when we have cash.) While paying off the principal is best, we should shoot for all three possibilities.

Hennessy added that given the current market, there is not much savings available. They will continue to monitor the market, hope that interest rates come down, and provide updates to the District.

Comments from the Public:

In my view, abatement doesn't save the taxpayers because the surplus funds are from over taxing. So, where is the savings to taxpayers? (We have to deal with a multi-year levy/budget process which creates much uncertainty. We are trying to use surplus funds to give back to the taxpayers; we levied at less than CPI; and it is six of one, half dozen of another. When we err, we try to give it back.) It seems to me that you err each year. This year's budget has a surplus and excess funds. What is the plan for the $58M? Everyone is now carrying this burden. (The $58M is a "one-time snapshot." While we are over the 30% [Policy 6220] we've been trying to stay at the $15M level, which is only an amount to cover two-months of our bills, and we are trying to trend down.) I would like you to see what the lowest point/amount is possible in reserve funds and then abate anything above that amount. (The problem is that if we reduce all reserves, at some point that could create a bigger problem depending on the impact of the Tax Cap.)

This was a good presentation. If we maintain surplus amounts we can continue. However, there could be a temptation to use the surplus for other things. I think we need to get a principal only payment structure. Everything is negotiable, so negotiate with William Blair to make principal payments. It is better to use reserves to pay off the principal. (While negotiating with the bond holder is a good idea, William Blair doesn't own these bonds. We have spoken to the bond holders and they don't want to do that. So, unless the District is in financial distress, there is no incentive for bond holders to do that.)

There were no other comments from the public.

5. FUTURE AGENDA ITEMS

October:

October 7, 5:30 p.m.

- Assessor Presentations: Geneva Township & Blackberry Township
- October 15, 5:30 p.m.
- First Quarter Financial Review

- Presentation, PMA Financial, Steve Miller
- Initial Levy Presentation – Possible Scenarios

No discussion or comments.

6. ITEMS FOR RECOMMENDATION TO FULL BOARD

None.

7. INFORMATION

7.1 Legislative Update

The Assistant Superintendent Business Services reported that she had recently attended a meeting with State legislators who said that while Illinois school districts had received all four state payments in 2012/2013, they would only be receiving three payments in 2013/2014. There is still no pension reform information coming from Springfield.

8. ADJOURNMENT

At 6:44 p.m., motion by Lamb, second by Nowak, and with unanimous consent, the meeting was adjourned.

APPROVED ____________________________ ________________________ CHAIRPERSON
(Date) (William R. Wilson)

RECORDING
SECRETARY ___________________________
(Dr. Kent Mutchler)