

Finance Oversight and Review Committee (FORC) District 97 Board of Education Annual Report (2012-2013)

Overview: The Finance Oversight and Review Committee (FORC) is a standing committee of District 97 Board. The committee currently consists of two Board members, the Treasurer, the Asst. Supt. for Finance & Operations, and seven voting, board-appointed community members who possess relevant experience and knowledge. Bruce Ulrich, one of the community members serves as Chair of the FORC. The FORC meets quarterly and from time to time has special sessions to support specific requests of the Board or member educational needs.

FORC standing agenda

The committee operates from a standing agenda and reviews the District's budget variance report, the PMA 5 year forecast, and a summary of investment performance at each meeting. The general purpose of standing reviews is to both probe for current issues and keep the FORC updated on the overall health of the District's finances.

In addition to these standing reviews, the FORC reviews key financial reports and issues prior to or concurrent with presentation or finalization by the District 97 Board whenever possible. Some of the reviews conducted during 2012/2013 agenda have included;

1. Review of non-operating funds and capital trends
2. Review and comment on the annual budget as it is developed for the District
3. Review of the proposed annual tax levy
4. Review of key assumptions which are inputs to the 5 year PMA model
5. Discussion of PMA model scenarios for the upcoming year.
6. Review of the District's investment and borrowing policies.
7. Review of the annual audit and any audit issues.

FORC has continued to evolve its focus on specific areas identified by the District 97 Board in 2011. In summary FORC members are responsible for engaging in and reporting to FORC on the following areas;

- Monitoring investments and bond issue activity (John Ide)
- Monitoring news from Springfield on changes that impact the District (Jim Egeberg)
- Track contractual negotiations and impact on financial forecasts (Rowen Bell)
- Following annual audit progress and recommendation implementation (Aaron Lebovitz)
- Ensuring major capital investments have clear performance metrics (Kathryn Hymson)

2012-2013 Activities

The FORC has placed emphasis on a longer financial time horizon in terms of target lines to achieve referendum goals, assessing tools to establish financial performance metrics for comparable Illinois school districts and recommending updates to the District's investment policies.

Summary Comments and Significant Activities

- The District continues to do a masterful job in controlling discretionary spending outside of salaries and benefits. As part of our annual budget review, the FORC took a deep dive into this spending and found a consistent and positive trend over the prior four years reviewed. FORC fully endorses continued refinement of the District's budgeting process to ensure successful attainment of future referendum commitments. This becomes more critical given the environmental and economic unevenness of revenue flows.

- The FORC continues to have concerns regarding revenue flows due from the State. While it appears the late payments have stabilized, the percentage allotment has decreased, creating additional revenue pressure on the District's existing and forecasted revenues. More critically, the State will need to take some actions to address their own financial situation either by making adjustments that push pension obligations onto local districts or they will make adjustments in GSA funding to allow the state to address these deficits. FORC will maintain ongoing assessment and review of the potential impact scenarios to the District's budget.
- The FORC reviewed the investment policy for the District and proposed some revisions to further improve the yields on District's investments. The recommendations were submitted to the Board for approval.

Focus areas for 2013

- One of the key tenants of the updated FORC recommended financial policy is benchmarking the District's financial management with other comparable districts. While the District's first priority financially is to work within the funds provided by the community to deliver the best educational product possible, we also need to look outside the District for best practices implemented by others. FORC engaged in an assessment to develop a "comparable group of school districts. Additionally, FORC reviewed the Forecast 5 software package and recommended a 1 year subscription for key members of the District's management team. The FORC stands ready to assist District management in developing or prioritizing a Forecast 5 report package for continued communications to the Board and community.
- The FORC feels there are still areas of opportunity to improve investment management and will continue to work with the District to update the Investment Policy and associated practices.
- The FORC anticipates that the most critical financial issues in the District near-term will center on the new Teacher contract. There are several opportunities to align District and Teacher incentives that can be discussed. The FORC stands ready to consult on this process and explore the implications of different scenarios in advance of and during contract negotiations.
- The FORC supports the Board's approach to establish a comprehensive capital investment plan. The FORC feels it is critical that any significant investment include clear performance delivery metrics that can be communicated to the community clearly and openly. Consistent with this the FORC would like to engage with FAC and the Ad Hoc Dashboard/Benchmark Committee in furthering shaping and quantifying the District's capital and technology-related investments.

Closing Comments

The FORC appreciates the opportunity to support the District and involve ourselves in helping improve financial management within the District.

The current FORC members have been in place for between one and five years. This year five of our seven members are new to the committee and they have engaged enthusiastically. The FORC would appreciate if the Board could officially recognize Craig Iseli for his valuable service and leadership to the Finance Advisory Council and the FORC.

Respectfully,

Bruce Ulrich
September 2013
Chair

Finance Oversight and Review Committee (FORC) District 97 Board of Education – Purpose and Membership

Purpose: To provide on-going expert oversight and guidance to the Board and Administration regarding District fiscal operations. Review the District's financial performance, including monitoring budget projections in comparison to actual experience, examining rolling five year projections, reviewing and commenting on investments, budget development, and annual audit. The committee may take up additional activities upon authorization of the Board. The committee's actions will be governed by the Board's finance and investment policies.

Charge:

The FORC will:

1. Review budget to actual reports and budget variance reports.
2. Review investment portfolio, strategy and performance on a quarterly basis. Identify and compare appropriate investment benchmarks against performance.
3. Examine specific issues in budget development at the Board's request.
4. Review periodic selection of audit firm and scope of audit. Read and note salient issues in the audit report; provide guidance to the Administration and Board when necessary.
5. Examine rolling five-year financial projections semi-annually. Vet projection model assumptions annually. Notify Board of significant changes.
6. Provide guidance on improving communication of the District's finances and budget to the Board and community at large.
7. Reports to the Board: a. Provide a brief quarterly report of any material issues or trends. b. Provide an annual report summarizing the FORC's activities, noting any significant issues or trends, including bond ratings and Illinois Financial Profile Scores, over the preceding and succeeding fiscal years.

Membership

The composition of the FORC was expanded in 2009 to include a number of new community members. The current membership of the FORC is as follows;

Community Members (to be completed with input from Team)

Bruce Ulrich – Current Chair
Rowen Bell
Jim Egeberg
Kathy Hymson
John Ide
Aaron Lebovitz
Katina Smith

District 97 Board Members

Peter Traczyk
Graham Brisben

District 97 Management Team Members

Therese O'Neill
Marcy Shannon

Committee Secretary

Dorothy Stewart