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 6:00 p.m. on Tuesday, October 9, 2012, at Coultrap, 1113 Peyton, Geneva, Illinois.

1. **CALL TO ORDER**

   The meeting was called to order at 6:00 p.m. by Chairman Wilson.

   Committee members present: Mike McCormick, Kelly Nowak, Bill Wilson. Absent: None.

   Administrators present: Robert McElligott, Director of Transportation; Donna Oberg, Assistant Superintendent Business Services; and Dr. Kent Mutchler, Superintendent.

   Others presents: Mary Stith, Ed Butts, Chris Bourdage, Gail Ryan, Susan Sarkauskas, Mark Grosso.

2. **PUBLIC COMMENT**

   None.

3. **APPROVAL OF MINUTES**

   3.1 September 10, 2012

   Motion by McCormick, second by Nowak, to approve the minutes as presented. Ayes, three (3). Nays, none (0). Motion carried unanimously.

4. **DISCUSSION/CONSIDERATION**

   4.1 FY 2013 Levy Discussion

   The Assistant Superintendent Business Services provided a review of the process/procedure used to calculate the District's levy. She noted that since actual figures from the assessor's office are not received until March, she has to estimate new growth in order to capture all new growth. New growth is estimated at $25 million which is down 2.12% from the prior year and still going down. The levy estimates were based on a 3% CPI. The limiting rate is 0.049497 on all funds except debt service. Debt service is calculated separately. Debt service for bond and interest last year was $14,878,320.27. Without any abatement this year, debt service would be $17,302,070.00 which is a 16.29% increase from the previous year. We want to possibly do an abatement to bring it back down to last year's level, rather than increasing it by that amount.

   Options for the Committee's consideration included:

   <u>Full CIP Increase</u> projections: Education up to $49,538,000; O&M $9,751,220, we're at our maximum level, we can't go higher and will lower it from last year's amount; Transportation $1,985,972, there is no set rate, we can levy what we need; Retirement/Social Security, no set rate, can levy what we need. Total levy without bonds $63,664,630.00; with bonds $80,966,700. With EAV going down and new construction going down, the rate will, of course, increase.

   <u>Partial CPI Increase</u> projections: Used half of the CPI or 1.5% vs. 3%. Limiting rate from $4.87 to $4.96; an increase of about $3.8 million. Debt service would increase by $2.4 million. With this scenario, the increase would be about $1.5 million on the Education Fund more than anything. Under this scenario, the O&M Fund is at its max rate. It could be lowered but it can't be increased, so we'd like to keep it level. Transportation would increase by about

$100,000; maybe slightly lower depending on bus needs for 2014. Total levy without bonds $62,740,630; with bonds $80,042,700.

No CPI Increase projections: No CPI increase at all. If we don't increase the levy from last year and carry it over flat, the limiting rate would go from $4.80 to $4.84, or up by four cents without any CPI increase; or an increase of about 20 cents even with no increase in CPI and carrying over the levy flat because the EAV is going down and because of the increase in the debt service payments. Total levy without bonds $61,278,876.75; with bonds $78;,580,946.76.

The Assistant Superintendent provided examples for estimating a 2013 tax bill on a house with a fair market value of $288,000 using each of the three scenarios; i.e., full CPI of 3%; half of CPI of 1.5%; and no CPI increase, only the debt service payment increase.

Discussion, comments, questions: Was the fair market value of the home in the examples the average for last year? (Yes.) Do we know this year's average? (Not at this time. Last year's was used to provide an estimated projection. Before the final levy presentation, we'll have more information.) Do these three scenarios include any possible abatement? (No. Abatement is a separate issue from the levy. The administration wanted the Committee to see scenarios with full CPI, half CPI, and no CPI. We could also levy specific amounts with lower dollar amounts but then we wouldn't capture those dollars. Once the extension is lowered, it is lowered forever and we can't ever get it back.) Would it be possible to review the impact of the Frank's Bill legislation on the District's reserve balances and the resulting impact on our flexibility? Is it possible to see a 0% levy projection to see what impact that would have on the District over the next three-to-four years? (Yes. We're meeting with PMA Financial on Friday to update the District's five-year plan with the adopted budget, where the levy is coming in, as well as some of the other things occurring in the District. We'll have PMA run some scenarios. We've also invited Elizabeth Hennessy from William Blair to the October 22nd meeting to provide an update on debt service since the refunding. She indicated that there may be a refunding possibility for next year.) Last year, as a Superintendent's Task Force, prior to the establishment of the Committee, we explored the option of a 0% increase and tried to balance some short-term relief without compromising our reserve balances, bond rating, and not limiting our financial flexibility in light of some of the proposed legislation that could eat up those balances. (Last year, we abated $3,224,000. Of that amount, we used about $1.1 million for the abatement because of the refunding, which lowered the dollar amount that the District needed. Consequently, that balance is available for abatement, along with any reserves over the $15 million amount after June 30, 2012. We'll be receiving the annual financial report from the auditor by October 15th and will have actual ending balances and will know better what is available. As example, in the 2013-2014 fiscal year, the debt service payment will be $17,302,000. In 2014-2015, it goes to $18,730,000. It would take $3.9 million to abate back to the $14.7 million level, which we've been trying to maintain. In 2015-2016, it goes to $20,293,000 and we'd need $5.5 million to abate back. In 2016-2017, it goes to $22 million and we'd need $7.2 million to abate back. In 2017-2018 it goes to $23.6 million and we'd need almost $9 million to abate back. These are not the highest years, there are a couple more years that go higher. We need to keep the dollars in reserve and the debt service fund to be able to keep abating back to try to keep it as level as possible. We don't know if we will always be able to keep it to the $14.7 million. If EAV starts to increase and construction picks up, it would help to level it off so we won't need to abate as much back to keep the rate level. We'd like to keep the rate level as much as possible.)

The Assistant Superintendent shared a property assessment cycles/property tax cycles/budget cycles graph prepared by a previous co-worker for the Board's information only. The graph showed how these three cycles intertwine from one year to the next. Between now and November 9th, when the levy proposal is presented to the full Board, she felt another Finance Committee meeting would be required.

Do we have a long-term plan to deal with the debt? (We'll be hearing from Ms. Hennessy of William Blair about possible refunding options and for keeping the rate lower/more level. While we continue to abate as much as we can, at some point we won't have the excess reserves to abate back out of the Education Fund.) The reserves we have now will, at some point, be exhausted unless we want to tax people into the next millennium? (Yes.) We'll have to decide at what point we balance abating ever increasing amounts to keep level to $14 million or do we target growth over time so we're abating a little more for a longer period of time. (Yes, maybe just increasing the level depending on where the EAV in the new growth comes in. It's all a balancing act from year to year. Once we have updated projections and debt structure from Elizabeth Hennessy, we'll have a better idea and be able to see where we're at over the next five years. There are also external effects that could make a difference; i.e., payments from the state for grants and approval of grants for which we have applied. If we extend the debt out farther, it will cost the taxpayers more but it would give them relief now. We'd prefer to to have more debt and would rather pay it off, but that is another scenario that could be considered.) In the past, Ms. Hennessy has shown us what back-end costs would be associated with debt. (It's important to remember that Ms. Hennessy is a consultant only and does not make any recommendations, she only provides us with scenarios.) While we are trying to keep the levy and abatement separate, at some point, prior to a final decision, we'll need to consider all of the possible options. (Agreed, but at this point in time, the administration doesn't have all of the final information available. Typically, levy isn't discussed until November. This is early in the process. Last year, we found out that the Frank's Bill, limiting the levy to zero would have hurt the District and would cause higher taxes for our taxpayers. The administration will review all possible scenarios and would it would take to pay off debt and keep the rate.) Looking at the levy earlier gives everyone more time to review the process and get a feel for the mechanics of the process.

4.2 Quarterly Financial Review

The Assistant Superintendent provided an overview on the first quarter revenue/expenses as it relates the overall total budget for the first quarter. The total budget is $89,863,000 and we've received $27,868,000 or about 31% to date in revenue for the first quarter. It was higher in the first quarter due to receipt of tax dollars in July, August, and September; which is when we receive our largest tax dollar amount. We will receive another payment in October. In November we'll receive the last of property tax dollars. We won't receive any other tax dollars again until May, 2013.

Discussion: That's about 30% for the first quarter. Where are we normally by November? (About 50% by November.) We we see another 20% come in? (Yes, we will. They seem to change the tax payment every year. We're expecting a larger payment in October and a smaller one in November.) Overall debt is $93.7 million in the budget. We've spent $16.6 million, which is about 18%. We should be at 25%, so we're under budget in this area. Transportation stands out for expenditures but that due to payment of the buses upfront in July and we're at 100% in capital outlay. In O&M, we're at 28% but we paid for the Burgess Field renovations from that fund.

Bob McElligott, Director of Transportation, provided information regarding the recommended security cameras for the buses. Over the past eight years, we've eliminated three-tier bus routes, reduced the number of buses from 66 large buses in 2009-2010 to 54 large buses in 2012-2013; a reduction of 22% of large buses. This has resulted in fewer pick-ups, longer ride times, and increased ridership, particularly at the elementary level, from the mid 20's to the mid 30's. We have to make our projections in August for the number of buses we anticipate we'll need. We are currently in the process of trying to return three large buses and if we are able to return them, it will be a 25% decrease in the number of buses since the 2009-2010 school year. During that same time period, we've cut 16% of our drivers but have added transportation routes for special education.

New security cameras recommended at a previous Board meeting would be digital with a pull-out hard drive. The old cameras had a phone jack clip which would vibrate out resulting in the camera not recording. The new cameras are solid state and have better connection fasteners. It is a three camera system with mountings in the front, center and back of the bus.

Discussion/comments/questions: There would be no vibration problems with the new system? (Correct. Have spoken to other districts with this system. Hope to be able to offset the cost of the new security cameras by the return of three buses.) How often are the security tapes reviewed? (About three times a week at all levels.) With the current cameras, there are times when the tapes are reviewed and nothing was recorded? (Correct, the current security cameras aren't reliable. Time after time when there was a complaint and the tapes were pulled for review, nothing had been recorded.)

4.3 State Payment Update

The Assistant Superintendent Business Services reported that the has been behind in their payments and they are typically only sending us three payments instead of four and the State's payments have been overlapping fiscal years resulting in the District always trying to play catch up.

Discussion: We are currently prorating state payments in our budget, should we try to show how far behind the state is in their payments? (We are currently only receiving 89% of our state aid payment and we can't accrue it back to the prior fiscal year. Special education and transportation payments have been reduced and received late and the state is looking at not providing any reimbursement for transportation costs.) Maybe it's time to run an analysis on transportation. What are "recovered funds" on the state FRIS report? (Not sure, will find out.) Is Geneva's state funding consistent with surrounding school districts'? (Pretty much but Geneva doesn't rely on it as much. Some districts are only at 50% of state aid receipts.)

5. FUTURE AGENDA ITEMS

5.1 FY 2013 Levy Recommendation

5.2 Abatement Options

The Committee members were asked to check their calendars and contact the Committee Chair or the Assistant Superintendent Business Services with possible dates for an additional Finance Committee meeting.

6. ITEMS FOR RECOMMENDATION TO FULL BOARD

None.

7. ADJOURNMENT

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

APPROVED November 12, 2012 ____________ ________________________ CHAIRPERSON
(Date) (William R. Wilson)

RECORDING SECRETARY ________________________
(Dr. Kent Mutchler)