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 Monday, November 5, 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: Donna Oberg, Assistant Superintendent Business Services; and Dr. Kent Mutchler, Superintendent.

   Others presents: Mary Stith, Sandra Ellis, Roger Butler, Lori Dowd, John Fatten, Susan Sarkauskas, Dick Graff, Kent Bickford, Jay Moffat, Renata Peck, Gail Ryan, Mark Grosso, Bob McQuillan.

2. **PUBLIC COMMENT**
Comments included:
Appreciate the work of the Board, past Boards and Assistant Superintendent Oberg. Read in the paper that even with a zero levy, we will still see an increase in the levy and our taxes. Am asking the Board to consider decreasing the levy by 5-10% to avoid abating money in the future.

   Appreciate the previous speaker's comments. I'm a CPA and work in my family's business. I've reviewed the 2011 Levy presentation on the District's web site, specifically, about the affects the decreasing EAV and the Tax Cap. When property levels are rising and economy is good, it limits the amount of money the government can take from taxpayers. When property values decrease the tax cap formula allows tax rate to ride up but the agency's revenue growth is still limited by the CPI. So, to me, that means that in years when property values are going down, you get to grab an ever increasing share of revenue by increasing the tax rate. The tax collecting authority wins, the taxpayers loose. I strongly encourage you to look at the budget. I came out strongly eight years ago against the bond issues to build new. While many of you weren't on the Board, the District over-inflated the enrollment numbers to the community to generate enthusiasm to pass the referendum. We are facing $300 million in bond debt by, I believe, 2025. I think the District needs to look at a long-term plan for addressing the debt. Where is it going to be addressed in the budget? (At the last Finance Committee meeting and at the last Board meeting, Board members reviewed options for abatement and refinancing to level out the debt.) I see enrollment projections remaining flat or gowning down and expenditures going up. I want to duly note that the Committee has an opportunity to address its plan with the District. (The Board has looked at its long-term debt and at the last meeting the District's bond counsel reviewed options that could be available to try to level out long-term debt, or at least alleviate the spikes projected for the future. In the coming months, the Finance Committee and the full Board will be considering these options. One of the options with the least cost impact to the District is the ability to abate back to taxpayers in order to try to level out debt. Refinancing is another option that will be considered.) I hope that the teachers association members know that when they are talking about the District being able to afford modest raises because of the surplus, I don't know if they understand the big picture – that maybe the District is running a surplus this year, and has a rainy-day fund, but the District needs to maintain funds to pay for debt and unexpected expenditures. (The Board is aware of these concerns. All Board members are taxpaying citizens of Geneva and face all the same increases. The Board is trying to afford Geneva residents some tax relief on long-term debt as we move forward.)

Feel it is important to come tonight to support the Board in what they have been trying to do over the last several months. At the last finance meeting, Assistant Superintendent Oberg presented three different options – 3%, 1.5% and 0% for the tax levy. In reviewing documents for tonight's meeting, it appears that the numbers have changed relative to the proposed tax increases. During tonight's presentation would like to hear the reason for why the numbers were changed.

3. APPROVAL OF MINUTES

3.1 October 9, 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 an overview of the District's possible levy costs based on a 3%, 2.5%, 2%, 1.5%, and 0% Education Fund Levy so the Committee would be able to see the limiting rates would be.

Full CPI – 3%, limiting rate would 4.9492. At 2.5% it drops 2 cents to 4.93. At 2% it drops another 3 cents to 4.90. At 1.5% CPI it drops another 2 cents to 4.88. With 0% CPI, it drops 7 cents to 4.81. She clarified that even with no CPI increase, because the assessed values went down, that causes the rate to increase. Even with no increase in the dollar amounts from last year to this year, we'd still have an increase of 20 cents on the rate from last year.

She reported that the numbers did change from the last presentation because she updated the fair market value of a home in tonight's examples to $315,000 from $288,000 because $315,000 was the fair market value of the home that was used at the last meeting in the William Blair presentation and she wanted the dollar amounts to be consistent. Last year's debt service rate was $1.12. The District did an abatement last year to lower the debt rate amount from $1.20 to $1.12. We are trying to keep the debt service rate level. For this year, we have dollars remaining from last year in the abatement and will lower the rate by 15 cents. This year's debt service would be $1.33, an increase of 21 cents but we have 15 cents that we can save from last year's abatement being carried over to this year. So we have another 6 cents to abate back.

For this year, whether we increase or not, we could still do an abatement of 4 cents from the surplus in the Education Fund. That would bring us down to 19 cents, so we're really only looking for 2 cents more to keep the debt service rate level, depending on what we levy for CPI on the rate.

On a fair market value home of $315,000, with a full CPI of 3%, it would be an increase of $373. With a 2.5% increase in CPI it would be an increase of $348 or a $25 savings over the 3% CPI. With a 2% CPI increase it would be an increase of $323 or a $50 savings over the 3% CPI. With a 1.5% CPI increase it would be an increase of $297 or a $75 savings over the 3% CPI amount. With a 0% CPI increase, keeping it flat, there would still be an increase of $222.

Assistant Superintendent Oberg provided a list of debt services rates without abatements from 2010 through 2025 based on actual and projected EAVs, the operating rate, and the rates going up. The District is trying to keep the amount level at the $1.12 amount from 2011 rather than increasing it to $1.33, which is also projected. The following year it's projected at $1.44, then $1.58, $1.67, and so on.

All of the levy cost summary amounts are based only on the Education Fund. We plan to keep the O&M Fund levy flat at 75 cents. We plan to lower the Transportation Fund a little because we're not purchasing as many buses. IMRF, Municipal Retirement, and Social Security will be levied at the dollar amount necessary to cover the District's payroll. Only the Education Fund rate will be adjusted.

With a 3% CPI levy, which is the amount that we can capture based on current EAV and new growth, we'd capture $50,228,047. At 2.5%, it lowers it by $305,047. At 2%, it lowers it by $617,047. At 1.5%, it lowers it by $929,547. At 0%, it is $1,867,047. In order to recapture those dollar amounts we need to lower the budget to keep our budget level where it is now and we'd have to make some reductions. To make abatement amounts available, it lowers the abatement amounts every year based on the dollar amount we're going down. We have an abatement amount from last year to carry over. In 2013, we could carry over another $560,891 to 2014. Every year we'd need to decide what we're going to abate, what percent we're going to abate, and how much we're going to abate. Abatement is not ongoing without approval from the Board of Education each year. With 2.5% levy, we could still carry over $498,136, but going into 2014 it lowers the amount by half. With a 2% levy increase, we could still do the $498,136 this year but it would start to lower the amount for FY 2013 and eliminate the amount for abatement completely in 2014. The lower you levy on CPI, the less the dollar amount available to abate back, unless the Board wants to make budget reductions to make up for the abatement dollar amounts. The debt service rate would remain at $1.14 for 2012, at $1.17 for 2013 until you get to the 1.5% or 0%. In 2014, the amount starts to increase again, $1.54 up to $1.58 because we wouldn't have the funds to abate back. Next year, we'll need to look at the levy to determine what we could abate back to try to keep the rate lower.

The Assistant Superintendent suggested that we not levy the full 3% CPI; we should levy less than that amount and make up for it in budget reductions or some other way. She added that she'd like to keep the abatement were we want it and keep the rate lower and make it up with budget reductions.

Discussion: Has the administration started looking for where we could make budget reductions? (No, didn't want to do that until we know the dollar amount we'd be looking for. Those conversations would occur by the administration once the levy is adopted.) If we go with a lower levy, it starts to have a real impact in 2014 but, hopefully, the economy will turn around somewhat. (Agree, it depends on where the assessed values go. If they go up and growth goes up, the limiting rate starts to go down, and you can keep the rate level. The debt rate could be increased a little to keep it level or it could be decreased but it does impact the abatements. But would still rather not levy the full CPI.) Agreed. (Does the Committee have a recommendation they want to take to the full Board?) Maybe split the difference between 2% and 2.5%, which would require about $400,000 to $500,000 in budget reductions. To try to do it all in one year may not be the best course. The Board has looked at large budget reductions in one year but it is easier to do them over two years. If done over two years, there is an impact on potential abatements further out. If we split the difference between 2 and 2.5% to try and save between $400,000 and $500,000, that would be a start. To make $600,000 in budget reductions at this point may be difficult. Additionally, we have made reductions over the past several years. Making budget reductions of that amount could impact areas that the Board has tried to avoid; i.e., classroom, class size. If we make reductions in smaller increments may be best. What is the budget dollar amount that may need to be cut? (Ranged from $305,047, to $1,867,047 depending on the levy percentage amount. So, is the recommendation 2.25%?) If the levy amount is split between 2% and 2.5%, we'd need to reduce the Education Fund budget by approximately $460,000. Given the current economy, it would make more sense to go with 2%. While reducing the Education Fund budget by $600,000 would be tough, I think it is doable and there are a lot of community members suffering. Saving some people a little bit here and hoping that the EAV changes in 2014.

The Assistant Superintendent suggested providing the full Board with levy options of 2%, 2.5% and 3% and let the Board make their decision. Building budgets could be reduced. We are looking at a boundary study so that could result in some savings by reducing staff or leveling out class sizes. There are also some retirements coming up. We'll have to look at a variety of options.

The Board has discussed that given the current economics, while unfortunate; we would probably have to address class sizes during the boundary study. The Board is going to have to look at how much could be reduced in the Education Fund budget. (There are some things that could be done; i.e., prolong some of the technology purchases. It is important to give taxpayers some relief.)

It was the consensus of the Committee that the administration provide the full Board with levy options of 2% to 2.5% and that the Committee was in favor of 2%. Last year, the Financial Task Force discussed a 0% levy because of the Frank's Bill and projections were provided to the Task Force demonstrating the impact of a 0% levy was on our fund balances and our potential ability to abate, refinance, and how quickly it impacted our bond rating. Would like to have that information again. (The Frank's bill is not dead and I can put some information together for the 11/12/12 Board meeting.)

5. FUTURE AGENDA ITEMS

5.1 Abatement Options

This topic will be discussed once the levy has been decided. How updated are the EAV estimates? (They are the ones from the William Blair presentation last week – May 2012, which are from May 2012. They will be updated again in March 2013.)

6. ITEMS FOR RECOMMENDATION TO FULL BOARD

6.1 FY 2013 Levy Recommendation.

The Committee Chair agreed to take a couple comments from the audience.

Comments included:
Last month the amount of $288,000 was used as the fair market value of a home which has not been raised to $314,000, yet the increased tax amount has been reduced. How does that work if you are going for the same total number at the end? How does increasing the value of the home reduce the taxes that you pay? Last meeting, a $288,000 home with a 0% in tax levy, the increase would be over $400 a year in taxes. Now with a $314,000 value home, and a 05 tax levy, the increase in taxes would only be $222. (The abatement amount wasn't factored in at the last meeting.) So, the abatement is the big thing? (Yes.) If we abate, what is the amount on a $315,000 house? (I'll get it to you at the end of the meeting.)

What is the impact on the overall budget of that $500,000? What is the total budget that expenses would be cut from? (The Education Fund budget is about $55 million dollars and about 85% of that is salary and benefits.) You are proposing cutting $500,000 out of a $55 million dollar budget; that would be a stretch. (85% of the budget amount is salary and most of those are fixed by contract. Additional cuts in salaries, which isn't on the agenda, would be hard to do because the amounts are now fixed by agreements.) I understand that but as a taxpayer, I think this is a big problem. If we can't cut 1% out of something like this we have a big problem.

Was hoping to present these comments to the full Board but will use this opportunity. I attended that last Board meeting. The Board went into executive session and most of the audience members adjourned outside into the rain. I'd ask that the Board consider finding another room in this building to meet in executive session so the public can stay in a warm place, especially as winter is approaching. Don't know whether the Open Meeting Act allows the public to be kicked out so the Board can hold an executive session and then call us back in from the rain. I was the only person who waited for the Board to return to open session and I wanted the Board to consider this since this building does have more than one room.

7. ADJOURNMENT

At 6:37 p.m., motion by Nowak, second by McCormick, and with unanimous consent, the meeting was adjourned

APPROVED ______________________________ ___________________________ CHAIRPERSON
(Date) (William R. Wilson)

RECORDING
SECRETARY ___________________________
(Dr. Kent Mutchler)