

**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, February 10, 2014, at Williamsburg Elementary School, 1812 Williamsburg Avenue, Geneva, Illinois.

1. CALL TO ORDER

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

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

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

Others present: Leslie Juby, Bob McQuillan, Mary Stith, Elizabeth Janowiak, Mike Abts, Ron Stevenson, Mark Grosso, Elizabeth Hennessy (William Blair)

2. PUBLIC COMMENT

Comments included:

I've spent many hours reviewing the options for debt repayment. Abatement inflates the cost to taxpayers and people don't understand most of the options. I feel the best solution is to push out and refinance the debt 15 to 20 years and let those who are here in 15-20 years pay it off. Give those of us here now some savings. Please seriously consider the option that would extend and refund.

3. APPROVAL OF MINUTES

3.1 January 13, 2014

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

4. DISCUSSION/CONSIDERATION

The Committee Chair reported that Ms. Hennessy was stuck in traffic and would be late, so the Committee would start with the other items and come back to Item 4.1 when she arrives.

4.2 Bus Camera Replacement

The Assistant Superintendent Business Services reported that in 2012-2013 the Board approved a process to replace the existing bus camera system over several years. The new three-camera system will add a camera in the center of the bus. In 2012-2013, we began by replacing 10 camera systems at a cost of \$1,233.00 per system. The next 10 camera systems will be installed during spring break.

The current camera system consists of two cameras on each bus, one in the front and one in the back of the bus. The connections on the current bus camera systems continue to fail, which results in the cameras not recording. We have experienced several discipline situations on the buses and when the camera was pulled for review it was discovered that the system had failed to record. We have not experienced any problems with the new camera systems. Consequently, the administration is exploring replacement purchase of 29 camera systems for the 2014-2015 school year at a cost of \$35,757.00 so that all the bus camera systems are functional. Since we decided to go with a Cummings engine on our new buses, we will save \$68,000 and that could be used to offset the cost of the remaining bus camera systems. Technology is better and the prices are lower now than when we first implemented cameras on our buses.

The Superintendent stated that not purchasing cameras and moving on the schedule as originally planned could provide more funds to set up all-day kindergarten classrooms, as an offset, if the Board approved that program.

Discussion, comments, questions: What happens with the old cameras? (We replace them with the new system.) Did the company we purchase the cameras from agree to freeze the cost for our phased-in purchase? (Yes.) Is there any warranty remaining on the current bus camera system? (No.) My first thought is that there other areas I'd rather see us spend our funds but if we can find efficiencies, I'd consider making the final purchase now. How many times have we needed to see the recording and it wasn't there? (Don't have specific a number, but even one time is too many if the system failed. We are also putting security cameras in our school buildings.) Can we continue to survive with the current, two-camera system? (We could but we'd like to have the three-camera system on all of our buses because the students have figured out that if they sit in the middle of the bus, there is no camera to record their behavior.)

The Superintendent stated that he would take this topic back to the administration to see if we could find any resources to offset this cost.

5. FUTURE AGENDA ITEMS

March 10, 2014:

- 2014-2015 Budget Assumptions / Discussion (Goal is budget approval by June 30th)
- O&M / Technology Five-year Capital Plans

4. DISCUSSION/CONSIDERATION

4.1 Debt Service Options Discussion, Elizabeth Hennessy

Hennessy presented an update on the District's debt restructuring options and noted that the figures had been updated since her last presentations in September and October 2013. The current strategy is when surplus occurs in the Ed Fund, District abates amounts in excess of \$15 million the following year. Abatements over three years (FY11, 12 & 13) are estimated at \$14,146,467. The amount could change depending on the actual FY13 surplus.

Options reviewed and discussed included Option I/IA, – FY11-FY13 continue current abatement strategy or abatements plus refunding to flatten debt; Option II – FY11–FY19 abatements to flatten debt; Option III - combination of abatement/defeasance 2018; Option III – FY11-FY17 abatements / defeasance to flatten debt service Fall 2018; Option IV – combination of abatement/refunding/defeasance to lower debt service to \$17M; and a strategy to abate Ed Fund surplus. The District's current abatements projection for FY11-FY13 in the amount of \$14.1M is achievable.

Option I.

When would we need to pass a resolution for abatement? (Anytime.) Feel it would be important to pass a resolution as we have in the past. The CAFR amount is spot on. When refunding, bonds are not always callable. (Correct, but we try to do callable bonds whenever possible and we look for the most efficient refunding options. Also, there are costs associated with extending the debt.)

Option II.

Abatements only. We could continue this strategy but there is no guarantee of future surpluses for the next six years.

Option III.

This option uses cash surpluses to pay off bonds from FY18 but the FY19 funds are not in the bank. This pays down callable bonds with no debt extended.

Why wait an extra year? (To make sure we have the cash to use to pay off remaining debt. This leaves a \$1M surplus after paying debt.) Last month, the Committee discussed saving \$1-2M more and using another \$5-10M to pay off debt.

Option IV.

This option continues abatements through FY2016, and uses cash surpluses generated partially in FY2016 and in total prospectively in FY2017, 2018 and 2019 to pay down principal in order to flatten the debt service payments to \$17M annually in Fall of 2017. The debt service is extended

2 years.

Current taxpayers are absorbing \$2M? (Correct.) I don't like taking money "prospectively," I'd rather have the funds in the bank. All of the options are "living" plans and could change. (Correct.) Each year the Board will have to review strategies and make decisions based accordingly. I would like to see us pay down principal and use all possible options to get that accomplished. Is there a plan that goes out 5-10 years to accomplish that? (The first bond call date is 2017 and don't see any advantages before 2017. You would need to set up an escrow account but interest is low so there are no real savings. Going out 5-10 years would incur more interest costs.) All of the options have ways to accomplish this; the decision is to find a balance. If we bring the amount down to \$17M, there is additional cost. I'd like to use options with principal reduction. (A good plan is to review new growth at call dates and using a combination of these strategies is the primary tool to accomplish the goal of leveling the debt.) I would like us to continue to look at ways to finding savings. (Option IV has \$2M more for paying off debt.) I'd like us to bring our reserves down and use these funds to benefit the entire community. When we reach call dates, we can pay off bonds.

How does Working Cash Fund function? (It's used to make interfund loans during the year, but all loans must be repaid to the Working Cash Fund by June 1st.) Then we are drawing on reserves? (Correct.) I've been on the Board long enough to remember when we had to take out tax anticipation warrants and I wouldn't like to see us spend down our Working Cash Fund. We need that cushion. (Yes, and keeping the Working Cash balance helps keep a positive cash balance and our credit rating. Extending debt 10-20 years is very costly.) We need to determine total costs in order to decide what the best plan is. We need to look at all of the costs. (The first call date is January 1, 2017, so we would need to make a decision before December 2016 and a recommendation before December 2016.)

The Committee Chair suggested that the Committee's discussions be summarized and put in a plan to present to the full Board in order to assist in the budget-planning process. (We'll need to ensure that we keep funds for our programs and expenses.) That's why it is good to review options each year. If \$2M is set aside, where would it be held? (It could be put in the Working Cash Fund which is less restricted than the Bond & Interest Fund.) I still like the idea of putting it in the Bond & Interest Fund to show our commitment to paying down debt.

The Committee Chair and the Assistant Superintendent Business Services will meet to develop a recommendation to bring back to the Committee.

6. ITEMS FOR RECOMMENDATION TO FULL BOARD

None.

7. INFORMATION

- 7.1 Legislative Update
 - 7.2 Status of State Funding
- Nothing new to report.

8. ADJOURNMENT

At 7:00 p.m., motion by Lamb, second by Nowak, and with unanimous consent, the meeting was adjourned.

APPROVED _____
(Date)

(William R. Wilson)

CHAIRPERSON

SECRETARY _____
(Dr. Kent Mutchler)

(Pamela S. Burgeson)

RECORDING
SECRETARY