

**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 Tuesday, October 15, 2013, at Williamsburg Elementary School, 1812 Williamsburg Avenue, Geneva, Illinois.

1. CALL TO ORDER

The meeting was called to order at 5:31 p.m. by Chairman Wilson.

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

Administrators present: Tom Rogers, Principal, Geneva High School; Todd Latham, Coordinator Business Services; Craig Collins, Assistant Superintendent Personnel Services; Donna Oberg, Assistant Superintendent Business Services; Dr. Kent Mutchler, Superintendent.

Others present: Su Kenny, Laura Bieniak, Kim Lee, Kathy Spencer, Sue Sarkauskas (Daily Herald), Leslie Juby, Mary Stith, Mark Grosso, Steve Miller (PMA Financial)

2. PUBLIC COMMENT

None.

3. APPROVAL OF MINUTES

3.1 September 9, 2013

3.2 October 7, 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 First Quarter Financial Review

The District has received all FY 2012 payments from the State, but has not yet received the State's first FY 2013 payment of \$980,738 that was due September 30, 2013. The majority of FY 2012 final quarter payments, which were due on June 30th, were received on July 1st and the last payment was received on September 12th. We expect only three quarter payments this year and anticipate those will, again, be paid late. This will short the District approximately \$1 million in revenue for FY 2014. Relative to the budget, at the end of the quarter, revenues received and expenses paid should be at 25%. Revenues are at 41% with 85% of the property taxes collected. Expenses are at 15.6% with O&M the highest at 41% mainly due to completed summer projects.

Discussion: We have received about 85% of property taxes. (Correct.) Is there a status report yet regarding data analysis? (Not yet, we are working on it.)

4.2 Presentation, PMA Financial, Steve Miller

The Assistant Superintendent Business Services reported that the estimated EAV and new construction dollar amounts were just received, so the PMA presentation does not reflect the estimated amounts. The figures will be updated.

Due to technology problems, Mr. Miller was unable to display his PowerPoint presentation. He reviewed the revenue sources and assumptions used in preparing the report, which are similar to those used in past years' presentations. Property tax variables include tax appeals still in progress.

FY 2014 revenues are projected at \$73,928,785. Revenue assumptions for future years include the full CPI at 2% for the 2014 levy and 2.5% for 2015 through 2018. The District's General State Aid was reduced from 100% to 95%, then to 89% and this year is flat at 89%, which is projected at about \$2 million a year. The District is receiving less than \$400 per student in 2014.

FY 2014 expenditures are projected at \$74,237,513. Expenditure assumptions include salaries per current contracts; future increases to be bargained; insurance cost increases 8% per year from FY 2015 through FY 2019; pension cost increases; and 1.5% - 2% increases each year for purchased services, capital outlay, supplies, and tuition. More revenue than expenditures is projected for the Education Fund through FY 2019. For the past five years the Board has transferred Education Fund surpluses in excess of \$15 million. The O&M capital plan reflects a negative balance by FY 2017. The Transportation revenue vs. expenditure amounts vary year-to-year due to the bus buy-back program. IMRF/Social Security fund projections are level.

The State's FY 2013 financial scores are not available yet but it appears that Geneva's status may be financial review.

Comments/questions: Who develops the EAV forecasts? (Collaborative process between PMA and the Assistant Superintendent Business Services.) Do we know the composition of new growth? (Residential \$5.4 million, Commercial \$1.5 million, Industrial \$1.2 million.) Greenfields of Geneva seems to be trending positively. The PMA assumptions are that the Board take the full levy each year. What is the timing of the bus buy-back and how does it impact our financial assumptions? (Typically, we make bus purchases in July but we are looking at a two-year purchase/buy-back plan with payment over two years to level the high/low amounts in the Transportation Fund budget.) We need to look at the reserves/abatement and impact of the high/low budget amounts due to the bus buy-back program. I'd propose keeping the abatement of anything over the \$15 million, then lower to \$13 million and keeping the reserves to help maintain a better financial score. The PMA projections assume an annual abatement of anything over \$15 million in the Education Fund. (Correct.) The projections all assume taking the full CPI. (Correct.) With the last levy, did we get what we needed to meet our obligations? (Yes.) Then it seems we've done a good job of estimating what we needed in the levy. (But am concerned that we never know the actual dollar amount we will receive from the County year to year. It is never the same and that is why we maintain reserves. We have also seen a drop in other local revenue over the past few years.) We have also had to help fund the Kane County Regional Office of Education and may have to continue to help fund it permanently. Are we already levying at the max in the O&M Fund and the Education Fund? (Yes, and we can't levy higher without a referendum. We plan to do a transportation study in December.) It would be good if the Board could see the District's high vs. low funds for a period of 12 – 18 months in order to make better informed decisions. If the Board accumulates balances now, it won't have to do anything in future years and we'd need to let the community know that we were accumulating fund balances and are saving, or escrowing, them for future planning. With salaries representing about 75% of the budget, do we have the ability to see projections now for FY 2015? (Yes, we can do that.) That would be helpful to figure out what we need. Do we also have an idea of the savings projected due to retirements? (Yes and all of that is calculated into PMA's projected amounts.) Projections for 2015 and 2016 provide opportunities to make financial plans for when some of our bonds become callable, and we have used excess reserve amounts to pay off long-term debt whenever possible.

Miller cautioned that the District needs to be mindful of possible pension reform at the state level. He added that Illinois may now be 50th in education funding.

4.3 Initial Levy Presentation – Possible Scenarios

The Assistant Superintendent Business Services reviewed the Kane County Assessor estimated EAV report. EAV is down 2.83% and new construction is down 36%. When EAV goes down, the tax rate goes up and most of the District's tax dollars are from residential property. New growth is always estimated higher than the assessor's projections in order to capture all of it. The 2013 levy calculation worksheets are projections based on the data the District has received so far. The Education Fund rate is at the maximum, so we plan to levy in Special Education. We have not levied Special Education dollars in the past several years. If we don't levy the full amount, the District could lose \$2 million.

Levy scenarios of 1.7% CPI with no abatement; 1.7% CPI with abatement; 1.5% CPI; 1.25% CPI, 1% CPI, .5% CPI, and 0% CPI were presented for review. The levy options did not include debt service because the county clerk levies that. The difference between no CPI and 1.7% CPI is about \$4 million. On a \$300,000 home the difference between no CPI and 1.7% CPI is about \$100.00. The Assistant Superintendent felt that we do need to increase the percentage due to salaries.

Comments/questions: Do we know if any neighboring districts abate to the Operating Fund – not to debt service but to next's years operating rate? The only thing that does is help level the debt payments and we need \$4.75 million to keep the debt level, so we'd need to do something other than abatement. Refunding with principal would be best. We can't add new curriculum programs until we reduce our debt. (We know there are costs to an all-day kindergarten program, costs for pension reform, our general state aid payments are uncertain, insurance costs are increasing – there are many unknowns.) Let's plan for the unknowns and we need to only take what we need. (We estimate to the best of our ability to be flexible with a level rate over time.) What is the risk if we spend more? (We draw on the reserves.) It appears that we have planned pretty well in the past. (Yes, the risk is the loss of the ability to capture capacity. We plan and project for the future budget and we do the best we can.) PMA can run a zero levy projection for five-to-ten years out. (Yes, we have done that in the past and can do it again.) I would again recommend that it would be good for the Board to see 12 – 18 month fund balances because the numbers are not static.

4.4 Band Uniforms – Proposal to Replace

The high school has proposed purchasing new uniforms. The current band uniforms have been worn for the past seventeen years. The current uniforms were purchased through the support of the District, the Music Boosters, and community members (District 50% or the purchase with other 50% coming from boosters and community). The proposal would replace the uniforms for the 2014-2015 school year. Music Boosters has started a fundraising campaign to fund a portion of the new uniforms. Estimated cost for all the uniforms, band, concert band, tuxedos, and concert dresses for the ladies is \$113,000. Would like to go out to bid and have bid documents in November, which would allow us to order the uniforms in January.

Comments/questions: The Music Boosters are working to uphold their 50% commitment. We are due for new uniforms and they are needed. \$113,000 is the total cost? (Yes, \$50,000 to \$60,000 from the District budget. In the past, the District paid the full amount at time of order and boosters paid their half later.) How many students are involved? (We'd order 160 uniforms for marching band, 155 tuxedos, 95 concert dresses, and 5 drum major uniforms – total about 415 uniforms.)

5. FUTURE AGENDA ITEMS

November 11: Levy Review

December 9: Transportation Study

January 13: Audit Presentation/Discussion; Bond Abatement

With only a few minutes left in the meeting, the Chair opened the floor to comments from the

audience.

Comments:

PMA didn't include a zero levy in their projections. A zero levy this year and then a 1.5% would be more realistic. Regarding bonds, a buy-back program is the cheapest way to go, so I'd encourage you to investigate that option.

6. ITEMS FOR RECOMMENDATION TO FULL BOARD

None.

7. INFORMATION

7.1 Legislative Update

None.

8. ADJOURNMENT

At 6:48 p.m., motion by Lamb, second by Nowak, and with unanimous consent, the meeting was adjourned.

APPROVED _____
(Date)

_____ CHAIRPERSON
(William R. Wilson)

RECORDING
SECRETARY _____
(Dr. Kent Mutchler)