

**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, January 12, 2015, at Williamsburg Elementary School, 1812 Williamsburg Avenue, Geneva, Illinois.

1. CALL TO ORDER

The meeting was called to order at 6:05 p.m. by Bill Wilson.

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

Staff present: Shonette Sims, Harrison Elementary Principal; Donna Oberg, Assistant Superintendent Business Services; Dr. Kent Mutchler, Superintendent

Others present: Leslie Juby, Cathy Possley, Taylor Egan, Karen Farley, Mary Stith, Patrick & Ann Murtaugh

2. PUBLIC COMMENT

None.

3. APPROVAL OF MINUTES

3.1 December 8, 2014

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

4. DISCUSSION/CONSIDERATION

4.1 Bond Abatement Update

The Assistant Superintendent of Business Services gave an update on the Debt Restructuring Plan. We had asked Elizabeth Hennessey to make some changes to the plan that was presented at the last meeting. We talked about doing a bond abatement defeasance, so in 2011/2012 we abated \$3,224,829, in 2012/2014 we abated \$4,990,000, and for 2014 we abated \$5,931,467 which gives us a total abatement amount of \$14,146,467. We did this to keep the debt service from increasing. For this year's abatement we are looking at \$2.5 million to keep the debt service payment at \$16.3 million. I will be bringing the resolution to do this abatement forward next month. \$3.4 million of the \$5.9 million will be for the following year. We are still going to need additional dollars to abate back. On the FY13 abatement, that's what I did last year, I will be bringing forward a \$3.5 million abatement next month over the \$15 million, and that will account for that \$3.4 million that we need plus more for the following year. Our debt service payment has gone up to almost \$25 million and we are trying to keep it lower.

We have also utilized \$1 million to go to the working cash fund or the bond fund for debt reduction. In FY15, which is actually this year, we will abate that back in FY16. We are looking at the \$4.5 million again. We will put the \$1 million toward the debt reduction. The following year we will not have enough to do the abatement and the debt reduction so there is only \$1 million for debt reduction and the same for the following year. The options were once again reviewed. A decision will need to be made to go with either Option I or Option II.

Discussion, comments, questions: The \$1 million is what we earmarked for principal reduction when we do the refunding in 2016/2017? (Yes.) I think doing a principal reduction was important to all of us if we were going to agree to push this debt out for an additional few years. The only difference with Option II and Option IIB is the

interested rate correct? (Yes.) The difference between Option I and Option II is taking that \$1 million and putting it into the debt service fund to use for abatement or using it to pay down the debt. Whether we abate or not is completely discretionary? (Yes it is.) I don't know the history as to why we tied it to the education fund solely? (I think it was because the education fund had the surplus of funds.) There's an appearance with the education fund that when there is a surplus we are overtaxing, but when you look at all of the funds they have collectively come down? (Yes they have. What happens is we create a budget using our best projections and in some cases you don't spend all of the funds.) It seems very convoluted that we have to worry about just looking at the educational fund. We are accused of overtaxing but in aggregate we have actually been drawing on our reserves. At the end of the year why don't we look at our fund balances and see what we can allocate out to pay down our debt? (It's a cash issue.) Are we limited on what we can transfer between funds? (No.) If we weren't abating out of the education fund then we would be taxing on the bond fund. I think the point being made is that when we look at the levy that we do and we come to the end of the year with the surpluses in the education fund, then we are opened up for levying more than we needed. However, the other funds are actually in the deficit which means we are pulling on reserves. It's sort of the proof that when we do that aggregate levy we are actually levying an appropriate amount. The budgeting for 2015 will have \$40 million in reserves. I've heard you want to have at least 30% in your reserves which means we would only need at a minimum \$24 million. As we look ahead we are moving toward that 30% in reserves. I think we need to keep in mind future spending as we have stretched out the O&M and Technology plans. Is the working cash included? (Yes.) There were a couple of years where we did give the taxpayers a break by not taking the entire levy and drew on our reserves. I think we need to decide if it is in our best interest to put that \$1 million toward the abatement and pay what we can toward the principal, or do we set that \$1 million aside for principal reduction and abate what we can. It seems we achieve a more level debt service if we use the \$1 million. If you look at Option IA there will be a couple of years where the abatement is really high where in Option II it levels off sooner. We will also need to keep an eye on the O&M fund as it is heading into the red and we may have to move funds from the education fund to assist. The debt service is the major anchor around the district. If we move the money into the working cash fund then we can move it back if we need to. Can we put it there for a year and then if we need to move it back do so? (Yes. With the working cash fund there is flexibility.) I think it expresses to the public that we are working toward a principal reduction. So you are thinking Option IB to come up with a current abatement amount? (Option IB is with the 1% interest. I would say IA to keep those debt service payments level. Let's see where we are at the end of the year.) When will the first plan decision have to be made? (December of 2016.) The debt prior to 2006 was not callable so the 10 year increment goes from 2006 to 2016 because when those bonds were issued we issued those as callable as much as we could. So for Options I & II there is still time to get a clear picture? (Yes.) The abatement has to be done by March 1st so I will have PMA run some numbers for the next meeting. What happens if we are too aggressive? (We would have to draw from the educational fund or the working cash fund to pay the expenses.) The working cash is there for when it is really needed. There will be no recommendations on this until next month.

5. FUTURE AGENDA ITEMS

5.1 February

- Preliminary Budget w/O&M Plan & Tech Plan

Next month we will bring the bond abatement back and have a recommendation for the abatement resolution that will take place in February.

Not sure how robust the discussion will be on the CAFR tonight but I know a number of us wanted some time to go through it.

6. ITEMS FOR RECOMMENDATION TO FULL BOARD

7. INFORMATION

7.1 Legislative Update

The Assistant Superintendent of Business Services reported that the information handed out has the allocations from the state, as well as the allocations that were in the budget. There is a difference there, mainly in transportation. Transportation is prorated at 72% for regular vocation and 90% for special education. We are just now showing the 1st quarter payments on December 29th. They actually posted in January. They should have been received in September as the second quarter payments were due in January. We've received about 50% so far of funds we should have received from the State at this time.

8. ADJOURNMENT

At 7:50 p.m., motion by Nowak, second by Lamb, and with unanimous consent, the meeting was adjourned.

APPROVED _____
(Date)

_____ CHAIRPERSON
William R. Wilson

SECRETARY _____
Dr. Kent Mutchler

_____ RECORDING
Bonnie J. Johnson SECRETARY