OAK PARK AND RIVER FOREST HIGH SCHOOL
201 North Scoville Ave.
Oak Park, IL 60302

FINANCE COMMITTEE MEETING

Tuesday, October 17, 2006

A Finance Committee meeting was held on Tuesday, October 17, 2006. Chair John P. Rigas called the meeting to order at 7:30 a.m. in the Board Room. Committee members present were: Barbara P. Fernandez (arrived at 7:40 a.m.), Dr. Barry S. Greenwald, Dr. Dietra D. Millard, Yasmin A. Ranney and John P. Rigas. Also present were Dr. Susan J. Bridge, Superintendent/Principal; Jason Edgecombe, Assistant Superintendent for Human Resources; Cheryl L. Witham, Chief Financial Officer; Jack Lanenga, Assistant Superintendent for Operations; and Gail Kalmerton, Executive Assistant/Clerk of the Board.

Visitors included: Kay Foran, Director of Community Relations and Communications; James Paul Hunter, F.S.E.C. Chair; Donna Sebestyen, Coordinator of Benefits; Lori Cerceo, Supervisor of Finance; Cindy Milejovich, Director of Student Activities; and Tim Keeley, Purchasing Coordinator, Catherine Looney and Katherine Engel of GCG, and Tim Karris of Blue Cross/Blue Shield.

Acceptance of the September 19, 2006, Finance Committee Minutes

Hearing no amendments to the September Finance Committee minutes, the Committee accepted them as presented.

Construction Update

From Mr. Lanenga's written report, the Committee members learned that the installation of the new windows was now complete. Regrettably, the quality of the window blinds was unacceptable and the blinds need replacement. Jensen Co. was to replace the blinds on Saturday, October 21. Sufficient funds are being withheld to ensure that the project will be completed in a professional manner. Ms. Fernandez asked if the new windows would provide better ventilation and whether they had screens. Mr. Lanenga reported that if the windows were in the closed position, there would be no effect on ventilation. The new windows are equipped with screens and can be used when the windows are open. However, virtually every room with new windows is air-conditioned. Air conditioning has been added to Rooms 126, 127, and 128 because of their locations in the building. One of these rooms was an interior room. It is his intent to air-condition all interior rooms. The rooms without air-conditioning and have operating windows will have screens.

The boiler project is moving forward. A twenty-inch hole of concrete was cut for a chimney and the boilers are being prepared for their initial use through chemical treatments and “boiling out.” The expectation of the administration is that the four new boilers will be on line by October 20. The old boilers will then be removed and the final two new boilers will be installed. Mr. Lanenga assured Ms. Fernandez that the engineers had removed every useable part from the old boilers.

A gas leak occurred in the Consumer and Family Science area. While building code requires gas lines to hold 20 lbs of pressure, these lines lacked any pressure. A deteriorated twenty-foot length of pipe was discovered and replaced. The problem was not resolved, but it was isolated to the commercial kitchen. Mr. Lanenga reported that it had been valved off and the origin of the leak was still being explored. Fortunately, the commercial kitchen is not scheduled for use until second semester.

Most of the 2006 summer construction work was complete. Several of the items were related to the initiatives, including converting several rooms back to classrooms. Additional functionality was provided to several classrooms so that they could be multi-purpose. Mr. Lanenga noted that he would be providing a complete list of summer projects at the next Committee meeting.

Mr. Lanenga informed the Committee that he would bring a discussion of the renovation of the mall to the next meeting. He and Ms. Witham will have information on the funding available and he would ask the Committee for direction as to how much funding to should be allocated to the mall.

Skyward

Mr. Lanenga reported that freshman family access has been available for one month. He provided the following stats:

- From October 1 through October 13, there were 1,557 accesses;
- The 1557 accesses were made by 346 parents or approximately one half of the freshman class; and
- One parent was on the system sixty-two different times.

Sophomore family access will begin on or about November 1.

Mr. Lanenga reported that there had been an issue with speed of the Internet a couple of weeks ago. Each incident had been caused by a different entity—O.P.R.F.H.S., ISCorp, Century Network, SBC, etc. He felt that stability had been restored and he expected no future issues.

Another problem that occurred was that of email addresses being blocked. Century Network added filters that had to be removed. At least one Board of Education member had problems with staff members receiving his/her emails. That problem has been corrected.

Mr. Lanenga also reported on the timeliness of transcripts being sent. The transcripts were sent out about the same time as they were last year. However, there are issues with the transcripts. O.P.R.F.H.S.'s policy provides for the grades of transfer students to be incorporated into O.P.R.F.H.S.'s GPA. As an example, if a student goes to high school in Texas for three years and then transfers to O.P.R.F.H.S., that student has an instant GPA. Many problems have occurred with the entering of data; it is a slow process. When asked whether the addition of student grades entering the high school changes class rankings, Mr. Lanenga responded that after a certain date, O.P.R.F.H.S. freezes the rank.

Mr. Lanenga reported to Dr. Millard about the difficulty in the way courses are laid out for a year vs. a semester only courses. Beginning in November, an automated system will be used versus the manual process that occurs now that will make this process easier.

Skyward is continuing to meet with the dean counselors on their issues.

Health Insurance Renewal

Ms. Looney remembered talking about the misalignment of renewal and open enrollment dates when she first started to work with O.P.R.F.H.S., because it puts employees at a disadvantage. The employees do not want to make plan selections without knowing the cost of the premium. The result is that many chose not to make any modifications to their plan design. When Ms. Looney was instructed to obtain from BlueCross/BlueShield six and eighteen months renewal quotes on a fully insured basis in an attempt to align the open enrollment and renewal dates, it was realized that two premium increases would occur in a single year and that was not well received by the employees.

In an effort to educate the Committee members on the proposal for health insurance renewal, Ms. Looney provided a written report. It stated that over the past several years, the Insurance Committee reviewed the positive loss ratio of the PPO plan. "The premium claim comparison for the PPO averaged between 60 to 80 percent loss ratio over this timeframe. Based on the increased knowledge of the plan and the positive loss ratio, the Insurance Committee determined it was in the best interest to consider moving to an Administrative Services Only (ASO) contract with BlueCross/BlueShield effective January 1, 2007. This change would allow for the alignment of dates and still provide the same products with the same underlying networks to the employees. In addition, the District should enter into an ASO PPO contract based on a fiscally sound platform. Ms. Looney provided plan projections for this change (attached to and made a part of the minutes of this meeting).

"The three main components of the contract will reflect the claim dollars, which represents the majority of the financial exposure, the insurance premiums, and the consulting/administrative fees. Under the claim section:

- BlueCross/BlueShield has determined, based on a factor, that the aggregate stop loss attachment point would be $2,759,223. Should the District's claims exceed this volume, BlueCross/BlueShield would be responsible for any claims over this amount;
- Prescription drug claims have been carved out of the BlueCross/BlueShield contract and managed successfully by DrugCard, Inc. This program would continue to be a carved out program.
- The District would also need to establish a reserve account, which would provide for terminal liability in the event of a future decision to return to a fully funded product. The reserve account established for terminal liability, which is otherwise known as a claim lag (incurred but not recorded or paid) is recommended to be 14% of the annual stop loss aggregate attachment projection, which for 2007 is projected to be $2,759,223. This amount would be $386,291 in addition to the reserve that has been accumulated under the self-funded prescription drug plan.
- Based on the self-funded format of the prescription drug plan, a reserve has been established and is illustrated as the balance on hand as of June 30, 2006.

"The insurance or reinsurance premiums are reflected under the second section. Individual stop loss is often also known as specific stop loss or reinsurance. The first $100,000 of claims incurred by an individual employee will be paid through premiums. Claims of an individual employee that exceed $100,000 are paid by the specific stop loss or reinsurance policy through BlueCross/BlueShield. The second safeguard in place is the aggregate stop loss or reinsurance. As previously referenced, should the group as a whole exceed the anticipated aggregate attachment point of $2,759,223, BlueCross/BlueShield would pay claims above this amount. These are the internal insurance components to limit the financial exposure of the school district.

"The third area that is illustrated is the administrative fee that will be charted to the plan; claim administration, plan consulting and drug card administration.

"These components bring our anticipated costs for calendar year 2007 to $4,203,551 for the PPO product only, which reflects a 9 percent increase over the current premiums supporting the current enrollment under the PPO product.

"Through the stop loss reinsurance analysis, actuaries review the past claim experience and build in current trend factors, which are compounded to a future timeframe. In addition, actuaries place the aggregate attachment point at 125 percent of the expected claim experience. This is referred to as a corridor. The recommended nine percent increase in premiums is based on maximum exposure. GCG recommends placing this increase on the low deductible plan as well. This recommendation is based on the cost differential for the increased level of coverage under the $250 deductible plan and to encourage consumer education in the high deductible/VEBA savings plan.

"The second phase of the financial analysis would be to review what is expected to transpire during 2007. Should the plan experience the expected claim activity, fixed costs would remain the same and the plan would anticipate an additional reserve of

$734,135.93 based on the nine percent increase implementation. This amount, in combination with the existing reserve balance would place the plan in strong financial position with 42 percent of the claims available for future liabilities.

“Under the ASO PPO contract, the District would now experience increased knowledge of the financial position on a timely basis and the flexibility of determining future rate increases based on the financial stability of the reserve balance.

“Due to the change in the renewal date, it is also necessary for BlueCross/BlueShield to modify the HMO rates to extend the products to December 31, 2007. This product will continue to be offered under a fully insured contract and reflects a blended increase of 4.8 percent.

“The dental plan has been offered under an ASO contract with Delta Dental for several years. An annual review of the claim experience and minimal increases for administration costs has allowed the premiums to stabilize and the reserves to be established. The District will not make any changes to the premiums for the dental plan, but will continue to monitor the financial integrity of this benefit.

“The ASO PPO Plan Projections for the period January 1 through December 2007 are as follows:

		Based on Immature Claims Per BlueCross/BlueShield Proposal Aggregate
Projected Claims		
Medical Claims	$	2,759,223.33
Drug Claims		895,321.61
14% reserve on Medical Claims		386,291.27
Less Reserve Balance at 9/30/06		(204,000.00)
	$	3,836,836.20
Insurance Premiums	$	
Individual Stop Loss		113,306.00
Aggregate Stop Loss		32,107.00
	$	145,413.00
Consulting/Administrative Fees		
Claim Administration Blue Cross	$	171,191.00
GCG Financial, Inc.		42,509.00
Drug Card Administration Fee	$	7,602.00
	$	221,302.00
Total Estimated Cost		4,203,551.20
Total Estimated Premium Revenue		3,855,395.04
Estimated Revenue Excess (shortfall)		(348,156.16)
Required Increase in Premium Revenue		9%

“BlueCross/BlueShield would pay claims above this amount $2.7 million. These are the internal insurance components to limit the financial exposure of the school district.”

A verbal explanation of the numbers ensued.

A fourteen percent reserve of medical claims equal $386,000. The district has $207,000 from the Drug Card reserves to offset that amount. Thus, the amount of premium required to meet claims obligations for next would be $3,836,836.20.

The two areas where O.P.R.F.H.S. would be at risk are:

1) If any one individual has claims over $100,000 any claims above, that amount would be the responsibility of BlueCross/BlueShield.
2) If the group, as a whole, has claims of more than $2,759,000, any claims above that amount would be the responsibility of BlueCross/BlueShield.

Thus, $32,000 is for aggregate stop loss. Once the District accumulates $2 million in reserves, it can determine if a stop loss is necessary.

BlueCross/BlueShield’s administrative fees are $171,000. GCG’s fees include a two percent rate increase over the current year. Drug Card’s administration remains constant and it is based on $20 per employee participating in the plan

The total estimated cost for claims and fees is $4,203,000.

Ms. Fernandez asked if other insurance providers should be asked to bid. Ms. Witham responded that the District is bound by its current contract; so putting this out to bid would not an option. The nine percent increase will remain in O.P.R.F.H.S.’s own bank account. The District is procuring quotes on the fees for BlueCross/BlueShield and GCG only.

On the second page of calculations, every time an aggregate attachment point is received, a 25 percent corridor is marked and the difference is what is expected. Blue Cross/Blue Shield’s expectations are that the claims will total $2,207,000. If O.P.R.F.H.S. reaches only the expected amount or below, those claim dollars remain with O.P.R.F.H.S. The drug card benefit remains the same. Individual and aggregate stop losses remain the same.

The estimated $349,000 shortfall will be covered by a nine percent increase. Thus, with the $204,000 from the drug card plan on reserve combined with the $700,000 from health insurance premiums, the District will be 42 percent self-insured.

Q: What is required of O.P.R.F.H.S. to move to a self-funded position?

A: The Board of Education would be asked to approve a resolution. At enrollment time, employees will be informed. Open enrollment will occur in December; in January the employee rates would rise. This self-funding is for the PPO product only as the HMO product must remain fully insured and will have a rate increase of 4.8 percent.

Discussion ensued about the sharing of resources among the taxing bodies. Ms. Witham reminded the Board of Education that they talked about aligning a timeframe and forming an alliance with the taxing body to share resources. She began the conversation on health insurance costs with the other taxing bodies. All have Blue Cross/Blue Shield as their provider, are self-funded, and have a January 1 renewal date, except for Districts 97 and 200, which have different renewal dates.

Ms. Witham reported that she and Ms. Looney felt there was a confidence among the taxing bodies regarding the alignment of health insurance. The Village is working on a January 1 renewal presently, so an alignment of all taxing bodies cannot occur until 2008. District 97's renewal date is October; probably because the thought process was that an October renewal date would be easier for teachers. Once an alliance has been formed, each taxing body will continue to experience their own claims. However, having a larger group of employees will assist in the negotiation of administrative fees, stop losses, and fixed costs. The negotiation would be handled in such a way that there would be some sharing of costs, but not all. Implementing products such as wellness plans, etc., will also be helpful.

Ms. Looney spoke about community-based health plans and felt that at some point the community may want to contract directly with community-based facilities in order to provide higher savings. Presently, Blue Cross/Blue Shield does not allow this. A community-based health plan was implemented in the city of Downers Grove and the municipality is covered one hundred percent. It has been favorably received by the insured. Eliminating the HMO was a cost savings to the municipality.

It was the consensus of the Finance Committee members to recommend that the Board of Education approve the proposed health insurance renewal at its regular October Board of Education meeting.

<u>Office Supply Bid</u>

It was the consensus of the Finance Committee members to recommend that the Board of Education approve the award of general office supplies to Boss Online, Inc., at its regular October Board of Education meeting.

<u>Class Ring Bid</u>

It was the consensus of the Finance Committee members to recommend that the Board of Education approve the award of the class ring bid to Jostens at its regular October Board of Education meeting.

Three bids were received from the following companies: Herff-Jones, Jostens, and Balfour.

Discussion ensued regarding the proposals and the additional things that were added to the bid:

1) A speakers' bureau;
2) A program that would help freshman students by partnering them with an upper class "mentors" at a value of $3,000;
3) Up to $10,000 worth of travel allowance for O.P.R.F.H.S. students to attend the Jostens' National Leadership Conference, held at different locations across the country annually;
4) Funding of a West Suburban Conference Leadership seminar;
5) The distribution of surveys, collection and analysis of the data to assist the District in an ongoing effort to maximize school spirit;
6) The funding of prizes and awards for a teacher-of-the-month program and assisting with the voting process; and
7) Complimentary gaps and gowns for faculty.

Ms. Milojevic, as the director of student activities, was excited about some of these opportunities. Dr. Greenwald stated that the "extras" reminded him of the drug companies courting of doctors with "freebies." Ms. Milojevic noted that the high school had a relationship with Herff Jones for several years. While these "extras" were offered, O.P.R.F.H.S. never partook of them. These items are ultimately included in the price of the ring, but not many students buy class rings.

In addition to these types of opportunities being broadcast to the sponsors of all the clubs, individuals may be selected to attend. This will give the high school a broader plate for student interests.

Township Treasurer

Ms. Witham reported that the meeting scheduled for October 16 was canceled and rescheduled for October 23, 2006. She noted that the professionals from the firm of Virchow Krause & Company, LLP were obtaining access to phone, computer, and key payroll systems. O.P.R.F.H.S. is now more independent and the Interim Treasurer, Jeff Schroeder, has given O.P.R.F.H.S. permission to pay its own payroll taxes. Some districts have reported late payment fees because the Township Treasurer was remiss in paying payroll taxes in a timely fashion.

O.P.R.F.H.S. did not pay the fee to the Township Treasurer for this year. Ms. Witham had planned to deduct the cost for last year's audit from this year's payment. O.P.R.F.H.S. also did not pay the $7,000 in IRS fees; Mr. O'Connor provided Ms. Witham with a wire notice, check number and date, etc., drawn from his own account, indicating that he paid that fee.

In Ms. Witham's written report she commented on the suspension of Mr. O'Connor, the fact that all of the employees of the Treasurer's office resigned effective immediately, had left the office unattended, and did not leave any passwords for access to phone systems, computer systems or banking systems.

While Mr. O'Connor did not show up for his requested public hearing on October 2, he did request a continuance so that his lawyer could be present to represent him. The request was granted. Ms. Witham provided a list of attendees and the essence of the comments expressed by attendees at the conference.

Preliminary Levy

Ms. Witham noted that simply O.P.R.F.H.S. would receive last year's extension plus CPI plus new property. Property tax is a fairly consistent tax, but with the passage of the Property Tax Extension Limitation Law (PTELL or "tax cap") in 1995, the District lost control over its growth; it is now limited to the lesser of 5% or the previous year Consumer Price Index (CPI) plus new property. The value of the new property is unknown to the District at this time and, therefore, is an estimate. Regardless of how much the District requests, no more than the maximum allowable under the law will be received. The CPI for the 2006 Levy was 3.4 percent and the EAV for new property is valued at $25 million. Most of the new developments are in TIF's so that revenue would not flow to O.P.R.F.H.S. Thus, this is a 5 percent increase from last year.

Ms. Witham provided a chart of the tentative 2006 levy numbers as compared to the actual 2005 levy numbers as well as the following timeline for the Levy.

October 17	Finance Committee Meeting	Preliminary Levy
November 9	Finance Committee Meeting	Preliminary Levy
December 21	Board of Education Meeting	Truth in Taxation Hearing
December 21	Board of Education Meeting	Final Adoption of Levy

The date of the November Finance Committee will be Thursday, November 9, 2006.

Five-Year Plan Assumptions

Since the Five-Year Plan had been delivered to the Committee members the previous evening and not all members were present, Mr. Rigas tabled this discussion until the November meeting.

Monthly Financials

It was the consensus of the Committee to recommend to the Board of Education that it approve the monthly financials at its regularly scheduled business meeting in October.

Adjournment

The Finance Committee adjourned at 8:35 a.m.