

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

Finance Committee Meeting Minutes
February 16, 2016

A Finance Committee meeting was held on February 16, 2016. Chair Cofsky called the meeting to order at 8:06 p.m. in the Board Room. Committee members present were Thomas F. Cofsky, Fred Arkin, and Sara Dixon Spivy (departed at 9:25 p.m.). Also present were Dr. Steven T. Isoye, Superintendent; Tod Altenburg, Chief School Business Officer; David Ruhland, Director of Human Resources; Dr. Gwen Walker Qualls, Director of Pupil Support Services; Michael Carioscio, Chief Information Officer, and Gail Kalmerton, Clerk of the Board.

Visitors Jeff Bergman, Rob Wroble, Baker Tilley auditors, Anthony Kalina and Steve Larson (attended telephonically) of Ehlers & Associates

Public Comments
None

Minutes
Mr. Cofsky moved to approve the minutes of January 21, 2016, as presented; seconded by Ms. Spivy. A voice vote resulted in motion carried.

Board/Finance Committee
[Compensation Philosophy](#)

The Finance Committee unanimously recommended moving the Compensation Philosophy forward to the full Board of Education for review as an informational item at the February meeting and then deliberation of the document in March with the removal of the 2 last sentences under Item No. 16, starting with "Note." This will be part of the discussion in March, however.

Mr. Cofsky reviewed the process. The committee considered the topic and developed a draft. Mr. Cofsky will work with the administration on the cover letter that will go to the Board of Education.

[Cost Containment – PMA 2015 vs. Anchor](#)

The Finance Committee reviewed the incremental resources expenses/cost containment scorecard. Mr. Cofsky explained that this agenda item was about balancing the educational needs of the students with the financial strength of the people who are paying taxes and not about cutting costs. His primary concern was that the Board of Education not make short-sighted decisions that have long-term implications. If the school is not in balance with its finances and education is delivered, the community will suffer. On the other hand, if too much is spent on the education of students without predetermined value, community members will seek different communities. The Finance Committee is charged to look at policy, procedures, and metrics, as they relate to cost containment. The 3 financial metrics are:

- 1) Cost per student as compared to other schools, special education students are included. All schools operate under the same mandate if they have the same percentage of students. The state's average is

15%, and OPRFHS's average is 17%. The data says OPRFHS is in the top third in operating costs per pupil. Consideration should be given whether a district was a unit district or not. Should districts with multiple buildings be considered?

- 2) Taxation per home; and
- 3) Fund balance (financial health).

Mr. Arkin appreciated Mr. Cofsky's cost containment memo included in the packet. Note: OPRFHS has few Board of Education policies relative to cost containment, other than a reference to certain purchasing and resource conservation, i.e., recycling, etc. The newer policy work relating to the fund balance added some rigor. The administration will review processes/procedures that would supplement Board of Education policies with regard to cost containment. In terms of procedures, is there any feedback in terms of current procedures as it relates to cost containment? As such, Mr. Cofsky suggested the following related to policy and procedure:

- a) Revisit the timing of resource requests and the original budget approval, and structure it such that there is a discussion on all incremental resources as part of the budget approval. This should be broken down into FTE changes, Special Education changes, technology changes, and others major resources needed.
- b) Implement a process to validate that FTE for enrollment growth is verified against Actual enrollment changes, versus continuing to make decisions based only on forward projections. One can look at trended student to FTE ratios as a guide to assure proper validation is being done.
- c) Implement a comprehensive review of overall SPED costs (prior to budgetary Presentation mentioned in a.) This should include in the building/ outside the building costs, with focus on where educational improvements can be delivered while reducing costs.
- d) Revisit insurance management policy 4:100, possibly adding reference to Health, Dental and other personal insurance. Review current procedures of insurance committee (I have never seen anything on this) and assure they include a Board review that a) addresses comparative costs as well as b) consideration aimed at cost containment.
- e) Review current procedures requiring any incremental resource requests to complete Financial implications as well as expected value. Formalize procedure if necessary. When incremental resource requests come forth outside of budgetary cycle, evaluate those incremental resources in the context of the budgetary request (looking at both original and new requests combined), so as to assure the District is looking at the big picture versus a piecemeal approach when making decisions.
- f) Formalize an audit process to review incremental resource requests, and compare Actual deliverables from planned. Use this information to adjust resources as needed.

Discussion ensued. Were the results/expectations realized as to the number of students served by the PSS Team, considering an additional PSS Team was hired, as the spread/slope between the expenses and revenues must cause the Board of Education to be disciplined? (Committee members agreed that items A, E, and F as priorities.)

Mr. Cofsky felt that adding a reference to medical and dental insurance would help with cost containment by Board of Education policy would hold the superintendent responsible for reviewing, maintaining and be accountable to the Board of Education to assure what is most economical and consistent with sound insurance principles.

Additional comments were: 1) Special time could be set aside to review enrollment growth, special education costs, and insurance. 2) One member did not believe the committee should focus on special education programs, or off campus costs. 3) With regard to E, a cost containment philosophy needs to be formalized that leads to procedure and discipline. That is called a request for proposal.

Dr. Isoye noted that the list was based on the projection model in terms of expenditures and revenue. While timing can be considered, the bigger picture is where the District is and what it is tracking. The Board of Education does not want a variance and is contemplating not amending the budget, and yet contingency funds do not exist for those things that come up unexpectedly in the life of a school. This will cause procedural changes for the Board of Education and the administration. Revenue and expenditures are needed in order to build a budget. Mr. Cofsky stated that the amended fund balance policy provides the bigger picture and that, along with the projection model, provides the long-term picture. However, because some Board of Education actions were taken that conflicted with those, it is an issue of concern. Item A relates to the timing of the resource requests so that all of the decisions can be made at one time and aligned with the PMA model. The administration is attempting to do just that. Item b relates to FTE and enrollment growth and compares that to the model, without validating it. Item F relates to validating what the Board of Education said it would do from the bigger picture. The purpose is to be more focused on the bigger picture rather than the individualist. Dr. Isoye appreciated hearing that explanation and will remind the Board of Education of that fact.

The Committee will continue to delve deeper into the financial metrics in order to understand what is involved in advancing items A, E, and F.

Financial Metrics

The finance metrics compares OPRFHS D200 to the other schools in the NWPA (Northwest Personnel Association). The statistical information that is provided in this report pertains to finances for the 2013-2014 school year. This data is current as of August 2015 and has been gathered from the 2014 Ed.dat Databook Volume II: School Finance Data and PMA's 5Sight database. The data was grouped into three sections: students, expenses, and taxes. The Committee suggested that exploring taxes should be continued.

Transfer to Capital Fund

Discussion ensued about how to formally irrevocably transfer \$20 million from the District's Educational Fund to the Capital Fund as a signal to the community that the District plans to use these funds for capital improvement; this would be aligned with the 2017 budget when the tentative budget is approved. The administration will check legislation as to the formal process and timeline needed to do this. The Board of Education will have to approve it. A caveat was given about committing this money to the Capital Fund as it could not be moved back to the Educational Fund.

Contract/Renewals

Presentation of Visual Image Photography, Inc. Contract

The Finance Committee unanimously recommended that the contract with Visual Image Photography (VIP) for the 2016-2017 school year be forwarded to the full Board of Education for approval at its regular February meeting.

VIP will perform the following services for the District:

- Senior Portrait Program

- Photograph Retouching Services
- Underclass Portrait Program
- Faculty Program
- Dance Program
- Athletic Program
- Various School Services
- School ID Program

VIP will provide non-monetary remunerations in the estimated amount of \$63,284 and an actual rebate estimated at \$6,223. The beneficiaries are the paying the costs. The cost of supplies is about \$3,700. Mr. Cofsky objected to this because he felt it added costs to the students.

[Presentation of Yearbook Contract](#)

The Finance Committee unanimously recommended that the contract extension with Jostens be forwarded to the full Board of Education for approval at its regular February meeting. The term of the contract is for the 2016-17 school year. The new contract cost will be \$47,760 which reflects a 0.8% increase or \$381.

[Presentation of E-Rate Wireless Access Points and Network Switch Equipment](#)

The Finance Committee unanimously recommended that the purchase of as presented with CDW-G be moved forward to the Board of Education for approval at its regular February meeting. The scope of the contract is \$75,277. OPRFHS is approved to receive \$77,828 in funding and thus far have received \$4,700. This is for the 2016-2017 school year. If the number of student devices does not increase, there is no need for this expenditure; it is infrastructure piece.

As a result of President Obama's ConnectED initiative, the E-rate program has received a substantial overhaul over the past several months. This has resulted in the establishment of two categories of services that are eligible for funding: Category 1 (formerly Priority 1) Category 1 includes telecommunications services and Internet access services for which E-rate applicants may seek monthly discounts on their bills. Category 2 (formerly Priority 2) Category 2 includes funding for supplying Internet services to classrooms and library through internal connections. Internal connections include physical network lines running throughout the building that provides internet and telephone services to classrooms, as well as wireless internet access points and switching/routing equipment. Category 2 funding is provided to districts over a five-year funding cycle. This means that a district may request the maximum amount of funding, based on student enrollment and designated discount percentage, in a single year, or over five years. Typically, schools will request the maximum amount of funding each year for which they are eligible.

[Presentation of Legat Architects Contract for FY 2017](#)

The Finance Committee members Arkin and Cofsky recommended that the contract for services for the summer 2017 work in the amount of \$321,154 with reimbursable fees of \$25,000 be forwarded to the full Board of Education for approval at its regular February meeting. These fees are based on a total capital improvement budget of \$4,713,000 of which \$3,977,775 (including abatement) is the projected General trades cost.

[Presentation of Pekron Consulting Proposal for FY 2017](#)

Finance Committee members Arkin and Cofsky recommended that the contract for services for the summer of 2017 with Pekron Consulting for asbestos abatement manager services in the amount of \$30,000 with \$3,000

in reimbursable expenses be moved forward for approval to the Board of Education at its regular February meeting. Pekron has been the environmental consultant since 2010. The district has been pleased with its professionalism and knowledge in this field.

Presentation of the Audit and Comprehensive Annual Financial Report

The Finance Committee unanimously recommended that the FY 2015 Comprehensive Annual Financial Report (CAFR) and the Audit be moved forward to the full Board of Education for approval at its regular February meeting.

The report included the following:

- Required Communication of Internal Control Related Matters Identified in the Audit to Those Charged with Governance:
- Internal Controls Over Financial Reporting
- Other Communications with Those Charged with Governance: Two Way Communication Regarding Your Audit
- Communication of Informational Points to Management 6 – 8 Required Communications by the Auditor with Those Charged with Governance
- Appendix: Management Representations

The auditors reported that like many entities of its size, the District does not maintain an external financial reporting department or function, but relies on its audit firm for this purpose. This includes calculating adjustments to the District's trial balances, drafting the individual fund statements and making government-wide conversion entries, drafting the government-wide statements, preparing note disclosures and preparing the Schedule of Expenditures of Federal Awards. Without the assistance of the audit firm, it is likely that the District would be unable to prepare financial statements that are in accordance with generally accepted accounting principles and unable to prepare the Schedule of Expenditures of Federal Awards in compliance with federal requirements in the format required by the Illinois State Board of Education. While this is defined as a material weakness by accounting standards, as a practical matter, it may not be cost beneficial for the District to mitigate this weakness. Employing an individual who remains current with the ever-changing accounting and reporting standards can add significant financial cost to your existing internal control process.

The financial statement disclosures are neutral, consistent and clear. No significant difficulties were encountered with management in performing the audit. The District maintains its general ledger on the modified cash basis of accounting and as part of the audit, material audit entries to correct cash, property taxes receivable, state and federal, accrued salaries and accounts payable were made and furnished to management. In addition, entries were made to prepare the District-wide statement of Net Position and the Statement of Activities. There were proposed adjustments, which collectively were immaterial to the District's financial statements and, as such, were not adjusted.

The auditors reported that there were no disagreements with management, whether or not resolved to the auditor's satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report.

Additional comments:

- Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of the engagement letter, Baker Tilly will advise management about the

appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 3 to the financial statements, the District changed accounting policies related to accounting and reporting for pension liabilities by adopting Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB 27 and Governmental Accounting Standards Board (GASB) Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68 in 2015. Beginning net position has been restated as a result of adopting these pronouncements. The District’s liability is \$4.2 million for IMRF. IMRF looks at the unfunded amount and adjusts contributions on an annual basis. The implementation of the standard does not impact IMRF.

- The District’s liability for TRS is \$5.1 million. TRS takes all of the employees in the system and pulls all of the contributions and comes up with net pension liability. The district’s share is based on annual contributions to TRS. With the implementation of the new standards and the changing of TRS liability, the state contributes the biggest share of the pension plan, 96 percent, which gets prorated to contributions.
- Page 17 is a statement of net position, including all funds, assets, and liabilities. The net pension liability is included, and it is minimal for a district of this size.
- Page 22: A formula error occurred on the \$15 million for debt service should actually be \$7 million.
- Page 23: The \$15 million decrease is reflected.
- One member felt that Page 15 reflected more clearly the decrease of taxes by \$10 million than on page 4.

Enrollment Projections

The Finance Committee unanimously recommended that the February 2016 enrollment projection study by Ehlers be presented to the Board of Education for acceptance at its regular February meeting. Mr. Kalina and Mr. Larson presented the report.

The projected student enrollment growth trend for the next five years is 3,262 to 3,633 for the high school and 7,294 to 7,375 for the elementary district. The District’s growth trend for the next 10 years is 3,646 or similar to the five-year trend. The methodology used to determine those numbers included September 30 enrollments, cohort survival (movement of students from 8 grade to 9 grade), yields from new/proposed developments, which predominately are studio and one-bedroom units, and not many students are expected), Kindergarten & Birth Statistics, and 5-year projection. The key factors include positive cohorts, all day kindergarten, and the economy.

When looking at the last 10 years of feeder district enrollment, River Forest has leveled off during that timeframe. District 97 had large 5, 6, and 7-grade classes which will drive enrollment at the high school. Page 7 is the projection of the 3 districts and shows 10,556 now and 11,008 in 2021. Page 10 shows the last 10 years of enrollment by feeder districts.

Discussion ensued as to why enrollment projections were down by 275 students since the last report. Ehlers explained that District 97 saw a decline in enrollments from the 7 to 9 grade and new development will not produce any significant student population growth. When asked if there were an expected level of accuracy starting with year 1 and what changed in their thinking that reflects a decrease in attendance, Mr. Larson responded that one would see a level of confidence in the next 3 years, and it was the result of the decline in the growth of cohorts. The wildcard is the 8th graders who move into the 9th grade either at OPRFHS, Fenwick, or other private schools. The District will reflect these changes in its PMA model and review this from a financial perspective. Noted was the fact that the procedure for establishing residency for all students would not have affected these numbers, as the high school did have that procedure in place for all freshman students previously. In Ehlers' research of birth statistics, it requested information from the Department of Vital Records to births. When that data is received it could tell whether a child was born in a home and whether the child was in the family home for 18 years versus being in an apartment and moving to another city or suburb.

Update on Facilities Plan Committee

The two remaining Finance Committee members unanimously recommended that the Update from Facilities Plan Committee be moved forward to the full Board of Education on February 25, 2016, as an informational item.

Gala Fourth of July Fireworks Show Request

The two remaining Finance Committee members unanimously recommended that the annual fireworks display request from GALA be moved forward to the full Board of Education for approval at its regular February meeting. This year the fireworks will be held on Monday, July 4, 2016. The event will be moved to Tuesday, July 5, 2016, if there is inclement weather on July 4. GALA will provide a certificate of insurance prior to the event. GALA is not charged for the use of the facilities.

Presentation of Monthly Treasurer's Report

The two remaining Finance Committee members unanimously recommended moving the monthly treasurer's report forward to the Board of Education for approval at its regular February meeting. It was noted that when this report comes forward is dependent upon the timing of the reconciliation process.

Adjournment

At 10:19 p.m., on February 16, 2016, Mr. Cofsky moved to adjourn; seconded by Mr. Arkin. A voice vote resulted in motion carried.

Submitted by
Gail Kalmerton
Clerk of the Board of Education