Oak Park Elementary School District 97

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Finance Oversight and Review Committee Meeting

July 25, 2107

Meeting Minutes

In attendance: Carrie Hagner, Willie Mack, Mike Lofgren, Anna Richards, Michele Mangan, Bob Spatz, Rob Breymaier, Dr. Alicia Evans, Lou Anne Johannesson

Absent: Rafia Hasan, Dr. Carol Kelley, Jeff Mathis

Chairwoman Hanger called the meeting to order at 7:09p.m. She introduced new Board Representative to FORC, Mr. Rob Breymaier. The committee members introduced themselves.

1. Public Comments: There were no public comments.

2. **Standing Items -** Approval of minutes – *May's minutes were approved unanimously.* Mangan asked to postpone June's minute approval. She also asked to see minutes two weeks before each meeting.

3. Presentation by Elizabeth Hennessy, Managing Director, William Blair-Evans introduced Hennessy. Hennessy has been working as a financial advisor, primarily with bond issues for District 97 since 1993. She gave an overview of the District's current debt and options for issuing bonds for the additional $10 million in DSEB that was approved last fiscal year, as well as both the capital and operational dollars voted in approval by the community in last years' April referendum vote. (Please see attached for her full presentation) At the conclusion of her presentation, Evans reported that William Blair would be closing its division dealing with public school financial issues. She will elaborate later in the meeting. Hennessey described the issue of tax abatement. The 2017 levy will be higher than anticipated. She explained that, the district learned that it would be receiving an additional $2.6 million in revenue this year due to an unexpected increase of 5 percent in the equalization factor that occurred after the Board of Education approved the district's levy for 2016 and finalized the sizing of the April referenda. Evans stated that she would explain the Board's decision on the matter later in the meeting.

4. Debt Abatement-Evans reiterated what Hennessy stated about the abatement. She reported that the Board had looked into issuing rebate checks to the public but administration researched the process for issuing checks to taxpayers and discovered that the district cannot legally issue refunds. The district also spoke to the Village and was given the same answer. The Board chose to transfer $2,592,994 from its Education Fund to the Bond and Interest Sinking Fund for the 1999 Middle School Bonds, therefore Spatz explained the money that would have been spent on the bond repayment can be used elsewhere. Evans stated that the Board voted on the resolution at its July 18th meeting. Lofgren asked why FORC was not asked to advise on such a large financial

decision. Evans and Spatz stated that the timing was the reason. Lofgren related that such issues should be addressed via email so that the committee members can weigh in with their expertise. He stated that he was disappointed that FORC was not consulted.

5. Audit Updates- Evans reported to the committee that the preliminary audit results were received in June. She said there were some discrepancies between the new auditing reporting and the past auditing firm's reporting. She stated that the former auditing firm did not post closing entries and entry adjustments for three years. Richards asked how this could have occurred. Lofgren asked what the magnitude of not posting these entries would be to the District. Evans stated she was meeting with the new firm the next morning. The entire committee then asked if Evans had spoken to the legal firm representing the District. Evans stated that yes, she had. Evans stated that in her previous work in other Districts she had become aware that there were often adjustments made after an audit was done. She stated that the former firm had told her that they had made the District's business office aware of adjustments over the past three years. However, they did not formally make these adjustments. She stated that in her past work in other Districts, these adjustments would be submitted to her and she would post them to the public. Mack asked that besides legal counsel is there something contractual that would hold the former firm responsible for anything the District might be responsible for in penalties, etc. Evans stated that technically that language is in every contract. Mangan replied that she was glad the District had switched auditing firms. Spatz reminded the committee that the District is responsible to switch auditors every three years unless the principal partners at the auditing firm change. Lofgren asked what guarantees moving forward the District has in place to assure this never happens again. Evans stated that she will be sure in her role as the CFO of District 97 that this will never happen again. Evans told the committee that once the new firm has new numbers, she will share them with the group.

6. Transportation Audit- Evans reminded the committee that she had asked their opinion on having the current District transportation provider, Lakeview Bus, perform for her a route audit. She stated that in her experience in the past she would have been provided data through software provided via a transportation company regarding routes within the community. She stated that to her amazement, Lakeview monitors their routes manually. She will be meeting with them again in a week to devise a plan of monitoring route system within Oak Park. Lofgren stated that Evans' diligence within areas such as transportation, lends confidence to reducing expenditures within the District's budget. He hopes that examples like this will help the District to not have to go before the public once again in five years for another referendum.

7. Preliminary Budget- Evans reported that the district would see a surplus this year. She stated that expected revenues should be $115,616,436, which includes the DSEB and hopefully $800,000 when the warehouse is sold. She reported that revenue should be about 24% higher than the previous fiscal year. Breymaier asked if the DSEB was going to need approval. Spatz stated that the good news is that it was approved as part of a $16 million dollar bond sale last January. Only $6 million has been issued thus far. Evans as stated that expenditures should be $102,342,270. She said this includes the abatement of the 2017 tax revenue, life/safety work, and the Holmes addition. Evans reported that the Board will approve the preliminary budget at their August 15, 2017 meeting, and after posting 30 days, the Board will hopefully approve the Budget by September 30, 2017. Mangan asked if FORC would be given the chance to advise on the preliminary budget before the September deadline. Hagner stated that FORC would meet again in Mid-September. Mangan asked that the Committee meet in August. A Doodle will be sent to members if Evans' schedule allows her to attend an August meeting.

8. Adequacy Data-Spatz presented adequacy data that he had complied along with Evans and the Administration. He asked if the committee had a chance to review the two-page document. He specifically asked Mangan because she had the most questions regarding the information. She stated that, yes, she had had a chance to review the documents and that she thought this was a good start. Spatz replied that the District, along with the rest of the state was waiting to see what legislation would finally be passed in Springfield and what metrics would be used eventually to determine adequacy. He further stated that once legislation has

passed, the District will need to decide what metrics it uses to form its budget annually. Right now, Spatz stated that the District uses the Forecast5 to help formulate the annual budget. Mangan asked if anything stuck out to Spatz when reviewing this data. Spatz stated that he saw no red flags. He continued, there are about six things the board looks at regarding operating rates each budget, and about three they look at regarding capital expenditures. He said that maybe in the future the board will look at adequacy in terms of the budget if it adopts a new policy. Mangan asked if the board will be looking at evidence based models in future budgets. She also stated that within the document she had looked at, there were some differences, for example, in the gifted program dollars distributed throughout the District. Hagner also asked about some of the discrepancies within the document regarding FTEs (Full Time Employees). For instance, she pointed out the higher level at Whittier School versus (as an example), Lincoln School. Spatz reported that Whittier houses the entire Early Childhood Program and a large percentage of Special Education at the Elementary Schools and that is what accounts for the higher level of FTEs at Whittier. Mangan said that sometimes we get lost in the details. She said why are we not just dividing staff and money by student throughout the District. She stated that the community has decided to align our schools with the Districts goals. She reiterated that this data was a good start. Spatz stated that some of the evidence based model formulas do not currently align, nor do they translate to a school by school within a District set of standards. Mangan asked what the Board wants FORC to do with this information. Spatz stated that he had worked on this with Evans and Administration to honor requests made by the committee. He stated that currently, how staff and resources are allotted, is not a FORC issue. Mangan asked what the focus of this evenings meeting is, was it just informational. Evans stated that yes, most of it was informational.

9. Forecast5 Projections-Evans reported that the projections were not ready. Spatz stated that when ready he and the Board need FORC to review them. Breymaier asked what affect the forecast will have on the preliminary budget. Spatz stated that it should not have an impact, due to CPI rate already is available. Spatz stated that FORC has always had a second look for the Board at the Forecast5 numbers.

10. Bonding Agency Interviews-Evans thanked Hagner and Lofgren once again for their time and advice in the interviews they attended to select a new auditing firm. She will be reaching out to the committee for volunteers to assist her in upcoming interviews to select a new bonding firm.

11. Committee Progress

a. **Fraud Policy –** Richards reported that she would draft language for a fraud policy. She hopes to submit it to Dr. Evans in approximately one week for input.
b. **Capitalization Policy –** Evans stated that she would get some appraiser information to Richards who has also volunteered to draft a Capitalization Policy.
c. **Bond Policy –** Lofgren volunteered to write an amendment to the current Bond Policy regarding information Spatz shared at the previous FORC meeting.
d. **Transparency Policy –** Mangan, Mack, and Mathis had previously agreed to work on a Transparency Policy for the Policy Committee to review. Spatz reiterated past concerns that he has stated regarding having three members of the committee work in the same group. His concerns come from his reading of the Open Meetings Act of Illinois. Johannesson reminded Spatz that sharing information on a Google document might avert any OMA issues. Johannesson offered to resend a document she had sent out in May with examples of Transparency Polices throughout the country. Hagner asked the three members to designate a group leader to start working on the policy.

12. Adjournment-The meeting adjourned at 9:05pm.

The meeting was adjourned at 8:58pm

Next Meeting: June 15, 2017