

FINANCE COMMITTEE MEETING

MEETING DATE: TUESDAY, AUGUST 11, 2015 AT 4:30 P.M.

Members:

Ms. Annette Johnson, Chair
Mr. Alex Arroyo
Mr. Ken Darby
Ms. Christi Tyler
Dr. Michael Popp

Attendance

Yes
Yes
Yes
Yes
Yes

AGENDA

1. Roll Call
2. Public Comments/Questions

DISCUSSION ITEMS:

3. Budgets:
 - a. Finance
 - b. Superintendent/BOE
 - c. Building Allocations
 - d. Title III
4. Bids
 - a. PE Uniforms
 - b. Special Education Transportation
 - c. Band Instruments
 - d. Current Bid List
5. Refund/restructure bonds
6. Executive Session, if needed

CONSENT AGENDA

Next meeting—Tuesday, September 15, 2015 at 4:30 pm at the School Service Center

1. Motion to approve the monthly financial report(s):
 - a. List of Bills
 - b. July 2015 Financials
 - c. Fund Balance Report
 - d. Investments Report
 - e. Payroll Report
2. Motion to accept the following donation:
 - a. \$1,300.00 from James Hanauer for the East Aurora High School Football program for equipment
 - b. \$4,500.00 from Community Christian Church for purchasing school supplies, faculty lounge needs, and playground equipment for Brady Elementary School
3. Motion to accept the following grants:
 - a. "Fuel up to Play 60" grant in the amount of \$3,500.00 from the Midwest Dairy Council for Johnson Elementary School

ACTION ITEMS

4. Motion to approve the following department fiscal year 16 budgets:
 - a. Finance
 - b. Superintendent/BOE
 - c. Building allocations
 - d. Title III
5. Motion to award the PE Uniform bid to Marathon Sportswear in the amount of \$20,181.95
6. Motion to award the Special Education transportation bid to Midwest Transit Equipment in the amount of \$149,742.00 if delivered in August or \$147,774.00 if delivered in October, depending on availability
7. Motion to award the Band Instruments bid to Washington Music Center in the amount of \$121,757.00
8. Motion to accept fiscal year 16 tentative budget as presented, and to hold a public hearing on September 21, 2015 prior to final adoption.

INFORMATIONAL ITEMS

9. Motion to discuss refunding bonds and restructuring schedule
10. Current bid list

MINUTES

There were no public comments/questions.

Budgets

The following budgets were presented at the committee meeting by Ms. Christi Tyler.

Finance. Ms. Tyler presented the Finance Department budget. The budget in total was reviewed and discussed. The following question(s) were asked:

- Mr. Alex Arroyo asked if there was a cheaper publication we could use for legal notices, other than the Beacon News. Ms. Tyler replied she will look into it.
- Mr. Ken Darby asked what the difference is from this year's budget to last years. Ms. Tyler responded that this year's budget was based on last years; however, there was a contingency budget built into the budget pending the completion of contract negotiations.

Superintendent/BOE. Ms. Tyler presented the Superintendent/BOE budget. The budget in total was reviewed and discussed. The following question(s) were asked:

- Both Mr. Darby and Mr. Arroyo asked why the District is paying for a board member's internet services. Mr. Darby also asked if this was standard protocol. Mr. Arroyo asked how much is being spent on this. Ms. Tyler answered about \$100.00 per month. Dr. Popp replied he did not know the history on that, but he guessed that when the District moved from delivering paper board handouts to electronic, this board member probably didn't have internet service at that time. Ms. Johnson added at that time all other board members had service except this particular board member. Mr. Darby stated that a \$1,000 savings per year is still a savings.
- Mr. Darby asked for an example of Community Outreach. Dr. Popp responded with an example of sponsoring a table at the Urban League Gala, or sponsoring a table at a local event to help support local partners.

Building Allocations. Ms. Tyler presented the Building Allocations budget. The budget in total was reviewed and discussed. This budget represents the District building budgets and per student allocations.

Ms. Johnson asked what happens to all the money the schools take in for fees. Ms. Tyler answered the schools deposit any fee money directly to the District main account. Ms. Johnson also inquired if the District was monitoring each schools activity account. Ms. Tyler replied yes, we are also piloting a program to have activity accounts reported in Infinite Visions verses Quicken. The goal is to have all schools report student activity accounts in Infinite Visions by the end of the 15-16 school year.

Title III. Ms. Tyler presented the Title III budget. The budget in total was reviewed and discussed. Ms. Johnson asked if teachers' salaries needed to be budgeted. Ms. Tyler replied she believed so; this grant can be very specific, it also requires the names of individuals and the positions that will be paid. Ms. Tyler will seek clarification. The TBE portion of the grant is a state grant, so we are not hit with Federal TRS; the bulk of the grant is for salaries and benefits.

Tentative Budget. Ms. Tyler gave an update on the tentative budget. Budgets have been loaded into the state budget form. The tentative budget will be brought forward at the August 17, 2015 board meeting and put on display for thirty days. A public hearing is scheduled for September 17, 2015 and final board adoption.

Bids

PE Uniforms. Sealed bids were received and opened on July 30, 2015. Five vendors submitted bids for PE uniforms. The lowest bidder was Marathon Sportswear with a total amount of \$20,181.95

Special Education Transportation. Sealed bids were received and opened on July 24, 2015. One vendor submitted a bid for special education activity busses. Midwest Transit Equipment was awarded the bid in the amount of \$149,742.00 if delivered in August or \$147,774. 00 if delivered in October, depending on availability.

Mr. Darby asked what qualifications our staff members will need in order to drive our students in these busses. Ms. Tyler replied a CDL license was not required to drive students after school; a CDL is required to transport students on a bus route or during the school day, these busses will be utilized after school. Mr. Darby asked what requirements District 131 staff will have to transport students. Ms. Tyler responded that a valid driver's license would be needed. Mr. Darby would like this reviewed in the interest of the safety of students. Dr. Popp added that the District insurance company should weigh in on this issue and also to see if they offer any type of training along with their requirements.

Band Instruments. Sealed bids were received and opened on August 11, 2015. Four vendors submitted bids for band instruments. The lowest bidder was Washington Music Center in the amount of \$121,757.00. Mr. Darby would like to know how many of each instrument was bid on.

Current Bid List. The current bid list was reviewed. This is a listing of what was bid, processed, and coming up. Ms. Johnson asked if office supplies will be bid. Ms. Tyler replied that a list of high use items have been given to the major office suppliers: Office Depot, Staples, and School Specialty. They will give us their pricing lists.

Refund/restructure bonds

Mr. Michael Frances and Mr. Andrew Kim from PMA presented a school finance overview and restructuring analysis. Mr. Frances presented two options, refunding some of the callable bonds for savings or to restructure some of the bonds. Option one—refunding bonds for savings, would lower the payments but still be on the same rising schedule on an annual basis. Option Two—restructuring bonds, would offer savings from the refunding and restructuring to a more level payment. Mr. Frances informed the committee that all District 131's bonds are callable in phases in 2018 and 2020.

Ms. Annette Johnson said that the District previously had projections for 2025, what if the District moved the payments out further to 2030 or 2035? How does that affect us? Mr. Frances replied going out further could potentially lower the payment to a different amount but stretch the payments out, PMA was not asked to provide that analysis, this could be discussed in theory only. The longer you go out the higher the interest, this plan would be cost neutral on a present value basis. Every dollar that moves down stretches out into the future with interest.

Ms. Johnson asked what the scenario would be if the District moved the balance to 2025 and also paid some money down. Mr. Frances answered the District always has the option to file an abatement to pay a portion of a particular levy. Mr. Alex Arroyo asked how much the District is allowed to spend on something like this. Ms. Tyler responded that there was \$77,000,000 in fund balance right now, but a discussion would need to be made in regards to what other projects the District would like to accomplish in the next several years. Also, this debt was originally borrowed for operating expenses. Using fund balances means you are potentially using the borrowed money to pay down the debt. Mr. Frances added the Board has the option to do it one year and not the following year. When that happens in year one it lowers the levy amount, if it does not happen again in year two it goes back to the original levy. Most taxpayers will not feel the savings, but will feel the increase the following year. Ms. Tyler agreed that is exactly what happened when the District abated \$2.2 million in 2013.

Mr. Ken Darby asked what factors affect our interest rating and what the current rating was. Ms. Tyler answered the current rating is A1. Ms. Johnson added that when she read the Moody's report, it focused on the housing values on the east side of Aurora. Mr. Frances added that is a factor as well as the economic community. He also added an A1 rating is an investment grade rating; an AA rating would save some interest. The District's finances are very strong; one of the reasons for the A1 rating is due to the fund balance Ms. Tyler mentioned earlier. The more a fund balance is used it could potentially lower the rating.

Mr. Darby asked if the interest rate changes from year to year and what affect the interest rate change. Mr. Andrew Kim answered the interest rate was locked in at that time for those prior bonds. When refunding or restructuring of bonds take place, this is when interest rates can change. Mr. Darby asked what the rating was when we took out these bonds originally, and if it will change, and how. Mr. Kim answered he did not know what the rating was in 2009, but a big factor in determining interest rates is the term of finances. Ms. Johnson

added that add one point the rating was higher, but that was when the property rate was higher, all of this is driven by property values. Ms. Johnson would like the new assessment numbers from the assessor's office.

Ms. Johnson would like an estimate for going out to 2026, 2027, and 2030. Mr. Darby asked what the ideal was, is it better to do refunding or restructuring. Mr. Kim replied it would be best to take advantage of optional redemption features. There is one coming up in December 2015 and 2018 and 2020. These are the key points for restructuring bonds at the minimal cost possible. Mr. Arroyo asked if there were restrictions on making early payments. Mr. Kim responded yes, there is still interest accruing until the call date.

Mr. Darby would like to see a scenario where cash on hand is used to reduce the debt with the December 2015 call date and extend to 2030. Ms. Johnson asked PMA to look at the total callable amount, 50% of the callable amount, or a portion of the callable amount. Mr. Kim responded that the cash on hand would reduce the liquidity. Mr. Frances added that the levy would go down.

Mr. Kim confirmed that PMA would work on scenarios going out to 2030 instead of 2025, and that consistent levels decrease. Ms. Johnson added since some of the bonds are now callable, to also look into a scenario where a \$2 million dollar payment would be made, and how much the interest payment would be then and in the future. Dr. Popp asked if we were looking at the December 2015 date, when would we need to act on something. What is the timeline? Mr. Kim answered you can't do anything 90 days prior to the call date. The call date is December 1. It was decided this topic would be a full board discussion on August 17, 2015.

The meeting adjourned at 6:03 pm.