

North Boone Community Unit School District No. 200
Minutes of the Business Services Committee Meeting
District Office
6248 North Boone School Road
Poplar Grove, Illinois 61065
Thursday, November 13, 2014
5:00 p.m.

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chairperson Collin Crull at 5:00 p.m. The following Committee members were present: Dr. Steven Baule, Mr. Jeff Carr, Mr. Collin Crull, Mrs. Mary Piskie, Mr. Don Ward (ex-officio) and Mrs. Laura Zwart. Board members Mrs. Denise Balsley, Mr. Tom Moon and Mrs. Amy Morris were also in attendance.

BUSINESS OFFICE REPORT

Mr. Carr provided an update on staffing and said their main goal was to create internal controls. He said the 2013-2014 audit is in process. The original due date for the audit was October 15, but there were missing entries from April, May and June. He said many journal entries were not entered, or entered incorrectly. Mr. Carr said the budget was manually entered and was uploaded today. He mentioned the payroll audit is ongoing and the audit for certified staff is substantially complete.

OPTIONS ON HOW TO UTILIZE CDB FUNDS AND INTEREST

Dr. Baule introduced Mr. Greg Kubitz and Mr. Paul Wessels from PMA Financial Network. He said PMA does our normal financial planning and we had asked them to look at potential items on the horizon to give the Board the best possible understanding of the current fiscal picture. He shared that Ms. Linda Bobert and Mr. Andy Arndt from Baird will then talk about specific alternatives in regard to bonding options.

Mr. Kubitz and Mr. Wessels gave a presentation identifying fiscal variables on the horizon and said they will do a new set of five year projections in the next couple of months. They discussed SB16, and said based on current estimates, we could benefit by at least \$223K per year. This would be phased in over a four year period, with \$223K for year one, \$446K for year two, and so forth. Dr. Baule said if SB16 was not phased in, we could be looking at \$800K - \$1M in one year. PMA said the state finally got caught up and we received five GSA payments last year, but we may only receive two or three GSA payments this year, depending on the status of the temporary state income tax. Mr. Kubitz said we may know the answer late next spring. He said the other issue out there is the pension cost shift, related to SB1. This is now in the courts and there are thoughts it won't be deemed constitutional. Dr. Baule had heard that if the pension cost shift is ruled unconstitutional, Michael Madigan will redo SB16 and roll the pension cost shift into that bill. This would eliminate any gain from SB16 for North Boone. Dr. Baule feels SB16 won't be able to pass as a stand-alone bill.

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Mr. Brian Reininger arrived at 5:20 p.m.
Mrs. Laura Zwart arrived at 5:25 p.m.
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Mr. Wessels then discussed allowable investment options under the Illinois statute. He said we were basically allowed to invest in US Government debt, CD's, checking accounts, municipal bonds, money market funds, etc. Mr. Kubitz said the anticipated use of funds should be determined prior to investing in order to maximize the investment potential. They then provided a sample investment scenario. Mrs. Morris asked why they only had a CD option laid out. Mr. Wessels said a CD example was used, as bonds and other securities often have a lower return. He said we could look at municipal bonds, or other safe investments, but we are not allowed to invest in equities. Dr. Baule said investing in low risk generally tends to equal low interest. Mr. Kubitz suggested we build some level of liquidity into the investments.

Ms. Linda Bobert and Mr. Andy Arndt from Baird prepared a handout which included four options. Ms. Bobert said their goal was to leave us with options to prepare for an uncertain future. She showed the Board four options with many nuances for them to evaluate, knowing they had life safety and tax relief concerns, and invited to Board to ask if they would like to see other scenarios.

Mr. Arndt presented Option A as an attempt to restructure debt, in which most if not all of the money has to be tied up. This option is strictly to restructure the existing debt. He said there is really no way to get the money out, and flexibility is very limited.

Ms. Bobert said Option B consumes the \$12M by putting it into the Bond & Interest fund, and then each year the Board could make a determination on how much to put toward abating the levies from previous bonds. She said we could restructure when we get to the large levies. She said right now in Illinois we are allowed to restructure, however, our neighboring states Wisconsin and Michigan are not allowed to restructure. In the future, we may not be able to restructure if the laws change.

Option B leaves it in the Board's hands to use the money for other things. Dr. Baule mentioned if the money were put in B&I, it would be difficult, but not impossible, to get the money out but we would still have some flexibility to use the interest. This option won't cost as much as Option A.

USE OF SALES TAX FUNDS TO GENERATE BOND REVENUE

Mr. Arndt said Option C represents the issuance of limited bonds. He said currently the District does not have any limited bonds outstanding and our debt service extension base is 100% available for use. Mr. Arndt said new money proceeds from limited bonds can be used to fund Capital Improvements or Life Safety projects. The District's actual bond rating at the time of issuance and future market conditions will dictate the actual results that are achievable. Based on these assumptions, Baird estimates the District could generate approximately \$4M of new limited bonds and stay within the debt service extension base. Mr. Arndt said one example it to

combine Options A&C and the levy would come at or below the previous levy. This lends the flexibility to fund other projects.

Ms. Bobert presented Option D which is a bond issue supported by sales tax revenues. She said the sales tax revenue can be used for any building or capital project and includes paying down existing debt service on bonds originally issued as building bonds or bonds used to fund capital projects, as well as abating the payments on new limited bonds or alternate revenue source bonds as long as those bonds' proceeds will be used to fund capital projects.

Mr. Ward asked if limited bonds were subject to referendum or a feasibility study. Ms. Bobert said they were not. Mr. Arndt said we have enough debt margin to accommodate any of the options, including the restructuring. Ms. Bobert mentioned we would want to keep our bond rating in the A category. Mr. Ward felt it wasn't fair to the taxpayers to push out bonds another ten years. Ms. Bobert said since the life of the buildings is greater than 20 years, it's rare to only have a 20 year mortgage and it is more equitable to have more users pay over time. Mr. Ward asked if Baird could work with PMA and provide a scenario where we took Option B and have a payment on the same ratio as the bond increases throughout 2023. Dr. Baule asked if anyone on the Board was interested in further exploring Option A. There was no additional interest. Mr. Ward asked Baird for a comparison between alternative and limited bonds to generate \$3M-\$3.5M, providing a side by side comparison, as to their definition and whether they are callable.

REVIEW OF LEVY ISSUES

Mr. Carr said he had met with PMA and will present a levy at December Board meeting. He will publish the notice ahead of time and will have a preliminary levy for the November Board meeting.

OTHER ITEMS FOR DISCUSSION

(None)

TOWNHALL DISCUSSION ON UTILIZATION OF CDB AND SALES TAX FUNDS

Mr. Crull invited the public to begin the townhall discussion.

A member of the audience asked if the money would go toward tax relief. Dr. Baule said there has been no discussion to put the principal in the general revenue stream.

Sammy Boyce, President of the North Boone Booster Club said the Booster Club had spent over \$22K on drawings for the athletic complex and the project was tabled. She noted that students in PE classes, marching band, Junior Vikes, athletic teams and possibly future graduations would benefit from this facility. She said she was sure the Board was aware of the rapidly deteriorating field, and mentioned the Booster Club has done what they could with painting, repairing of bleachers, etc. She cited that we have one very hard working volunteer that works on our field and doesn't feel it's fair or prudent to think he can continue indefinitely. She said the track is not up to IHSA standards and we cannot host meets. She noted the soccer field is a hazard, and it's

embarrassing. She wants the community to reclaim Viking pride, and wants our students and community to be proud their schools. She said there have been numerous studies on improvements in attitudes, behavior, attendance and grades where students take pride in their school. She took a small, unofficial poll and nine of ten people were excited of the possibility of a new stadium. She doesn't want this project to die on the drawing board again. The Boosters are ready to help and have some major fundraisers set in motion.

Mr. Ken Ramsey, farmland owner, asked for a timeframe on when the money would be invested. Mr. Ward said they'd like to invest rather quickly to increase the interest possibilities. Mr. Ramsey felt though housing values are down, farmland has been double hit with taxes. Mr. Crull agreed with Mr. Ward that the sooner we could invest the money, the better for the District.

Ms. Abbeduto, Principal at NBMS, said besides the stadium, the MS needs a new a parking lot, and felt Capron needed a new parking lot as well. Ms. Belcastro, Principal at Capron Elementary agreed with Ms. Abbeduto.

Mr. Joe Haverly, parent, asked for clarification of the CDB and sales tax money. Mr. Crull said they are looking at allocating the \$12.4M toward different options for property tax relief. He said there is potential interest from that money that needs further discussion with the Board. Dr. Baule said his understanding from the senior Board members was CDB money was promised to go toward property tax relief. He said the one question is what level of flexibility the Board would like to provide themselves for any extenuating circumstances, based on the interest or the principal if we were in an extremely tight situation.

Mr. Glen Gratz asked why the \$4M figure was used in the presentation and if that was the amount needed for a stadium. Dr. Baule said Mr. Ward had asked at the October Board meeting to articulate what we would have to bond to give us the \$4M. Dr. Baule said Mr. Purvis may have a philanthropic contact that might be willing to make a donation toward a stadium, so they are trying to figure out what kind of mix of revenue can be put together to complete that project. Mr. Gratz asked what the interest rate was on Option A. Mr. Arndt said they had a conservative estimate of 4.2%, and mentioned it would likely be invested in Treasury securities. In Option A, the interest generated would go back into the payment of the bonds.

Ms. Liz Burns said she doesn't think the high school deserves a \$5M stadium. She asked where we will get the money to maintain the stadium and would appreciate any money to pay down the bonds.

Mr. Dale Purvis, Athletic Director, said they have been discussing a potential stadium for a few years. He emphasized the facility would be an athletic complex and not a football stadium. He said we are the only school in the conference that cannot host a track meet and the soccer field isn't in good shape. He said the safety of our bleachers should be the biggest concern, and noted how a small child was injured last year. He said this is a once in a lifetime opportunity to build a complex and he is hoping there are ways to achieve this without taking money away from the tax abatement. Mr. Ward asked Mr. Purvis to address the differences between turf and a grass field. Mr. Purvis said when he was on the stadium committee, he was shocked when Cashman Stahler presented the figures. He noted how the prices were similar, and it wouldn't take long to make

up the difference by not requiring mowing, fertilizer, watering or lining the fields. He said in talking with other districts, the spring sports receive the most benefit from turf. Turf would allow the UE, MS and HS PE classes to utilize the field or track each period of the day, the marching band to practice, and athletic teams to use it at any given time without tearing up or wearing down the field. Mr. Purvis also fielded a turf safety concern question from an audience member. He said turf has come a long way in the last several years and it is much more sophisticated and safer than in the past. Mrs. Morris said she had studied the turf issue and found that field turf contains many different layers of rubber, and there are studies showing there are fewer injuries with field turf than natural grass due to unevenness of ground, etc. Dr. Baule mentioned the Rockford schools have said they have had reduced injuries on turf vs. natural grass.

An audience member asked for cost quotes on parking lots. Dr. Baule said Mr. Novak would have the specific costs. He said the MS parking lot would need to be removed and replaced, and not just resurfaced due to deferred maintenance. Dr. Baule said Mr. Novak is working with the architect on a maintenance schedule, and approximately \$300K of life safety needs have been identified.

Mrs. Morris said she is in favor of an athletic stadium, but not at the cost of bond abatement, and in consideration of maintenance needs. She would like to have Baird and PMA figure a way to accomplish building an athletic complex.

Another audience member said in the past many have separated education and athletics and he feels that is unfair. He feels athletic programs are educational.

Mr. Haverly said he understood that CDB money could not be used on anything athletic, including locker rooms and turf. Dr. Baule said that was a misunderstanding, that CDB money is actually unrestricted in all cases, and noted Mr. Carr had received a letter from the CDB stating the use of the funds were unrestricted. Dr. Baule offered to provide a copy of the letter to Mr. Haverly. Mr. Haverly said he thought he did a pretty effective job of going back to the actual grant to identify where money could be spent. Mr. Ward asked Mr. Haverly if he had heard anyone tonight state the CDB money would be used for an athletic stadium. Mr. Haverly said he wanted the union and principals to put together a top ten list of their wants and needs. Mrs. Morris said the \$12.4M CDB money is slated to go toward bond abatement, pending an official vote. She said the stadium conversion has been re-opened now, but had not been discussed in the last several months. Mr. Haverly said he had only heard about tonight's meeting two days ago, and would like to see, as a part of the Communications Committee, the union and principals be able to present their priorities. He wonders if everyone will feel they want a stadium more than they want librarians or aide positions. He said his children now have very few library hours, and questions if we will get a stadium at the cost of teaching aides or reading specialists. He is planning to go back to the CDB website to see if there are stipulations for the money. He would like the Board to do a better job in communicating, and wants the Board to hold another townhall meeting where teachers, principals and parents can speak about their top ten lists.

Mr. Jason Kruckenberg said he'd like to hear an option where both choices can happen. Dr. Belcastro said she felt she did hear options to satisfy both the tax abatement and the need for

other capital projects. She mentioned she was originally a part of the stadium committee and that this committee has not met in over a year, and that this is the first time it's coming up since we now have this new opportunity with the sales tax money. Mr. Kruckenberg said if there is a way to accomplish both, he is in favor. Mrs. Morris said she'd like to help keep people in our district that are going to private schools by having better facilities.

Mr. Tom Kinser, resident mentioned his tax bills decreased between 1995 and 2008, but since 2008 the overall tax bill has increased. He said the soccer fields are terrible and he would love to have a sports facility. He encourages abating taxes and if the Board put the capital improvements to referendum, he would vote yes if there were supporting arguments.

Mr. Gratz asked how close we are to paying off the alternative bonds we have now. Dr. Baule said he believed we owe a little more than \$1M. Ms. Bobert confirmed we cannot pay it off until 2018.

Mr. Haverly asked if there were any other major projects in the works. Mrs. Morris said those items are addressed at the Facilities Committee meeting. Mr. Haverly asked if it would be open forum and if we will we encourage staff to put together wish lists. Mr. Crull said every single meeting is open to the public and everyone is invited to speak. Mrs. Zwart said she was on the Board for eight years and shared that there is very little participation from the staff and community at these meetings. She said people do have a voice, but they don't come to the meetings, which is disappointing. She stated it is not the Board's fault or the District's fault. Mr. Haverly feels a school messenger or other efforts to communicate these meeting dates and times should be put in place. Mrs. Morris said she feels like we are communicating, but people miss things and if we sent a school messenger out with every activity, we'd receive complaints. Mrs. Zwart said people have worked really hard to get as many people as possible involved, but it has been a challenge. Ms. Belcastro said school messenger would only go to households with children in the District, and not to all the taxpayer households. She confirmed all meetings were on the website and said the public could subscribe to blogs as well. Ms. Abbeduto said each year they are asked to come up with a list of priorities.

Mrs. Munger asked what would happen if we had a \$5M stadium and we had to cut sports. Dr. Baule said the athletic complex would be used during the day for PE classes as well as for athletics. He said due to necessity, the Board has had to make cuts in the past, but there have been few cuts to student opportunities. The Board has worked hard to not cut student opportunities in the classroom or on the field. He shared that students involved in extra-curriculars tend to have better attendance and success rates. He said cutting all activities saves \$300K, but doesn't have a huge financial impact if we have to cut \$1M. This administrative team would be in a desperate situation to resort to this type of cut. Mrs. Morris said she'd like to address the athletic complex \$5M price tag. She was on the committee when they met with the architect, and the \$5M price tag was for a dream stadium. Mrs. Morris said the architect put in a stages, phases and À la carte plan where we could choose a field and track, but eliminate concessions and restrooms, etc. Mrs. Morris said the \$5M is not a realistic figure.

Mr. Crull thanked the community for their participation and invited them to contact any of the Board members or Dr. Baule if they had any other questions.

ANNOUNCEMENTS

The next meeting date has not been scheduled.

ADJOURNMENT

The meeting adjourned at 7:26 p.m.

Submitted by:

Collin Crull / S /
Collin Crull, Chair