

**PERU ELEMENTARY SCHOOL DISTRICT 124 BOARD OF EDUCATION
FINANCE COMMITTEE MEETING MINUTES
PARKSIDE SCHOOL CONFERENCE ROOM
MONDAY, NOVEMBER 5, 2018, 5:00 P.M.**

Present: Mark Lambolely, Jim Renk and C.G. Pillai

Others Present: Mark Cross and John Vezzetti

The meeting was called to order by Chairperson Mark Lambolely at 5:06 p.m.

- Mr. Cross presented the Finance Committee with two draft proposals for the tentative 2018 tax levy. One proposal shows the district's overall tax rate at the same level as the past year of roughly \$3.19 per \$100 of assessed valuation, based on a slight increase in the tax base. He stated that current estimates from the county assessor's office show an increase in the tax base of between 1.5 and 2 percent. The resulting proposal for funds requested under the levy, excluding debt service, would be \$5,676,563, roughly \$155,000 or 2.82 percent over last year's actual extension. With existing debt service included, the total levy request would be \$5,983,125, roughly \$152,000 or 2.62 percent over last year's actual extension.
- The second proposal includes an estimate of the district's increased debt service if the remaining \$900,000 in existing working cash authority was utilized to help balance the district's budget for future years, and provide additional financial stability until the district's tax base returns to normalized levels, and the new state funding model begins to provide additional funds for the district should the district move from Tier 2 to Tier 1.
- The increase in debt service under this proposal is estimated to be roughly \$425,000, which is \$119,000 more than the current \$306,000. Mr. Cross and John Vezzetti from Bernardi Securities explained how this would normally increase the district's overall tax rate by 6 cents, but this could be offset by lowering the rate in three other funds to cause a net increase of 3 cents. Mr. Vezzetti added that this assumes a ten year pay back with an estimated borrowing rate of 4 percent.
- The resulting second proposal with planning for the issuance of the \$900,000 in working cash shows the district's overall tax rate at approximately \$3.22 per \$100 of assessed valuation. The proposal for funds requested under the levy, excluding debt service, would be \$5,615,525, roughly \$95,000 or 1.72 percent over last year's actual extension. With existing and estimated new debt service included, the total levy request would be \$6,041,250, roughly \$210,000 or 3.61 percent over last year's actual extension.
- The Finance Committee discussed various options, as well as the pros and cons of issuing the remaining bonds. This also included how to handle the payback time period. It was agreed that a shorter payback period had too much of a short-term impact on taxpayers, and another option that effectively removed any increase in the rate was simply unreasonable in terms of interest costs. Also discussed was the current budget deficit of around \$500,000 - \$600,000, which if it comes in less as anticipated, could provide an additional two to three years of funds to maintain our existing programs and class sizes even if the districts financial condition did not improve. Mr. Cross and Mr. Lambolely stated that if it does improve considerably in the next two to three years, the district can simply offset this with decreasing the tax rate as the district did for a number of years when it was in a better financial position to do so.

- After some discussion, it was agreed to recommend pursuing the lesser tentative tax levy for 2018 totaling \$5,615,525 when debt service is excluded, to allow for the possible issuance of up to \$900,000 in remaining working cash bonds, both subject to approval by the Board of Education at a future date.
- The committee discussed the abatement of the property taxes for the Parkside and partial Northview bonds. Mr. Cross stated that there once again is no property tax rate increase associated with the issuance of bonds for the construction of Parkside School, as the sales tax revenues continue to fully fund the debt service for the facility as planned. The Board of Education will once again abate the full amount of property taxes for payments on these bonds.
- Mr. Cross also reviewed briefly the Risk Management Plan that the Board adopted last year, and that he would recommend continuing in a similar format to allow for the levy of related taxes. He stated that it is important that the District conduct this very transparently and properly.

The committee adjourned at 6:14 p.m.

Committee Chairperson

Superintendent