



Board of Education

CITY OF CHICAGO

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10-1117-CR1

November 17, 2010

City of Chicago Board of Education Finance and Audit Committee Meeting Held November 9, 2010

Board Member Clare Muñana was appointed chairperson of the Committee; Board Member Alberto Carrero was appointed co-chairperson.

Chief Financial Officer Diana Ferguson and members of the Finance Team reported during the meeting that state aid payments to CPS continue to be delayed. The state owes the District \$164 million in payments from the last fiscal year and is already \$206 million behind in FY 2011.

Because the City of Chicago has declared a surplus of \$180 million in the tax increment financing fund, CPS will receive an infusion of approximately \$90 million.

The District relied on \$190 million from its reserve fund to close the FY 2011 budget deficit. Plans to replenish the fund were described and include: depositing FY 2010 state aid payments due to the District and funds from the TIF surplus. A restructuring of about 5 percent of CPS's debt will also afford operating relief. Additionally, \$382 million in new bonds were issued to finance the District's capital improvement program.

Committee members also learned that the District has closed on a \$500 million line of credit that will allow CPS to address cash flow needs due to continuing delay in state aid payments and in collection of property tax revenues.

The District's allocation of federal "Ed Jobs" money is \$104 million, Committee members were told. Funds are being used to restore 1,000 school-based positions throughout the District.

The report provided a preview of the FY2012 budget. Preliminary projections indicate that the District will continue to be adversely affected by increased costs and reduced revenues. Contractually obligated pay increases to teachers and other unionized workers will amount to some \$135 million in new costs; another \$35 million in healthcare and pension increases are also anticipated. At the same time, the District cannot count on continuing cash infusions from federal stimulus (\$250 million) and Ed Jobs (\$104 million) funding.

Altogether, District finance officials currently estimate a deficit of \$720 million, exclusive of any operational cost increases and assuming level state funding and no reversal of the pension relief approved by the legislature earlier this year.

The Committee also heard that the FY 2010 audit is ongoing and should be successfully completed by the end of the year.

The quarterly report of Board Office expenses was reviewed. It totaled \$55,003 for the first quarter of FY 2011, and fell into several categories: commodities and supplies, such as copy paper; professional and technical services for archiving and court reporting/transcription of meetings; and costs related to professional associations (National Association of School Boards and Illinois Association of School Boards); and services such as advertising, printing and equipment repairs.