



# Board of Education

CITY OF CHICAGO

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11-0223-CR1

February 23, 2011

## City of Chicago Board of Education Finance and Audit Committee Meeting Held February 1, 2011

Committee members reviewed and approved the minutes of the Finance and Audit Committee meeting held on November 9, 2010.

Controller Daryl Okrzesik reported on the FY 2010 Audit, which was given an "unqualified opinion" by independent auditors upon its issuance in December 2010. Operating revenues and expenditures were both approximately 8% lower than budget. At the close of FY 2010 the state owed CPS \$236 million in delayed block grant payments. The general operating unreserved fund balance was \$198 million at the end of FY 2010, which equaled 4.2% of revenues. Controller Okrzesik noted that if all state payments had been made, the fund balance would have been about 8% of operating revenues.

Committee members were informed that there were no material weaknesses in the FY 2010 audit. There were four significant deficiencies identified in the audit. Controller Okrzesik discussed efforts to address the findings and Committee members asked that the Chief Financial Officer and Finance team report on its progress at the next Finance and Audit Committee meeting.

Grants Officer Dr. Kayleen Irizarry reported that \$180.5 million of ARRA Title I funding and \$295.5 million of regular Title I funding must be spent by August 2011. The Education Jobs (Ed Jobs) Funding of \$104M must be spent by July 2012. To ensure that all grant funds are maximized, the Finance team has taken steps to spend all time bound Title I funding by August 31, 2011 while preserving Ed Jobs funds, which has a longer grant period. In FY 2011, approximately \$58 million of Ed Jobs funding will be used to restore 852 positions, including the restoration of high school class size and creating positions in special education. This preserves \$46 million for use in FY 2012.

Committee members learned that the majority of the \$266 million of central office and city-wide cuts that were made to balance the FY 2011 budget have been achieved. FY 2011 budget to actual overall remains on track with risks on overspend offset by items with lower than budgeted expenditures. Although the state paid its entire backlog of FY 2010 payments in December, the state's late FY 2011 payments to CPS equaled \$360 million in January 2011.

CFO Diana Ferguson reported an updated outlook for FY 2012. As reported at the November meeting, one-time resources including federal revenues of ARRA and Ed Jobs funding and fund balance will not be available in FY 2012. Contractual salary increases, and increases to healthcare and pension costs will drive increased costs of \$170 million. This initial projected deficit of \$720 million does not include increases in operational costs and assumes level state funding and continued pension relief. Additional factors that will impact the deficit include the \$90 million of TIF surplus, any increase in property taxes due to new property, impacts of the recent state income tax increase, and the \$46 million of preserved Ed Jobs funding.

The quarterly report of Board Office expenses was reviewed. It totaled \$16,745, primarily related to routine administrative activities including archivist services, transcription services, and document management.

Following the presentation the meeting was open for public participation, but no members of the public registered to speak.